

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 22nd April 2016
 Subject: **Budget Monitoring Report – DSG Services**
 Period: Period to end of financial year 2015-16

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.

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 2015-16 DSG has been allocated 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 | |
| | | 131.54 |
| <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 | 2.12 | |
| 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) | 28.52 |
| <u>Centrally retained to cover SBC and other costs</u> | | |
| Admissions, Free School Meal eligibility checks, school licences, equal pay etc. | 0.95 | |
| | | 0.95 |
| Total DSG Allocation (not including Early Years Pupil Premium of £0.164m) | | 161.01 |

2) 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 | Actual Variance £'000 | Projected Variance last report £'000 |
| Disadvantaged 2 year old place funding | 2 | 2,787 | (952) | (960) |
| Free nursery education (3 & 4 year olds) | 3 | 8,199 | 212 | 206 |
| High Needs Top ups (Mainstream) | 4 | 2,116 | 445 | 433 |
| High Needs Top ups (Specialist) | 4 | 8,769 | 109 | 97 |
| Notional SEN supplements (Mainstream) | 5 | 350 | 27 | 27 |
| External Placement Fees | 6 | 2,582 | (603) | (561) |
| HN Contingency | 7 | 315 | (315) | (315) |
| Post 16 HN Provision - New Responsibilities | 8 | 2,022 | (59) | (59) |
| School Exclusions / Dual registrations | | (350) | 18 | 26 |
| Tuition Service | | 890 | (31) | (22) |
| Schools Equal Pay Claims | | 0 | 31 | 31 |
| Subtotal High Risk Areas | | 27,680 | (1,118) | (1,097) |
| Other Low risk retained budgets | 8 | 1,783 | 36 | 41 |
| Total Retained Budgets | | 29,463 | (1,082) | (1,056) |
| Maintained School Budgets (Mainstream) | 10 | 45,429 | (248) | 0 |
| Maintained School Budgets (Specialist Settings) | | 7,103 | 85 | 85 |
| Commissioned Services | | 968 | (6) | (6) |
| EFA recoupment for Academies | 11 | 77,091 | 140 | (105) |
| EFA direct funding of High Need places | 1 | 1,460 | 561 | 561 |
| Total DSG Expenditure Budgets | | 161,514 | (550) | (521) |
| DSG Funding receivable | 1 | (82,453) | 2,140 | 1,816 |
| DSG Funding recouped by the EFA for academies | | (77,091) | (140) | 105 |
| DSG Funding recouped by the EFA | | (1,460) | (561) | (561) |
| Total DSG Funding Budgets | | (161,004) | 1,439 | 1,360 |
| EFA 6 th Form Place Funding | 1 | (510) | 0 | 0 |
| Total DSG | | (0) | 889 | 839 |

The Leadership Team is asked to note the risk areas above and the year-end out-turn position, which will be reported to Corporate Management Team.

The main reasons for the overspend are provided below:

Note 1) DSG Funding Receivable **£2.140m decreased funding**

The budgeted DSG allocation is **£161.004m** including funding for Early Years Pupil Premium and an estimate of the DSG based on January 2016 census for 2 year olds and 3 & 4 year olds. As reported previously the LA budgets for the full DSG allocation from the EFA but the actual cash received is the DSG allocation less Academy Recoupment and High Need places funded directly by the EFA, a budgeted DSG receivable of **£82.453m**.

As reported in Table 3, after allowing for academy recoupment and EFA Direct funding of HN places the 2015-16 DSG expected to be received is **£80.386m**, a decrease of £2.067m when compared to budget. This change in funding is due to lower than anticipated Early Years pupil numbers **£1.086m** (note 2) and **£0.303m** (note 3), higher than budgeted deduction from the DSG for EFA Direct Funding of High Need places **£0.561m** and an increase in Academy recoupment **£0.140m** (note 11).

Schools Forum 12th July 2016 – DSG Retained Budget Monitoring Report Appendix A
The reductions in funding are offset by **£0.023m** of additional DSG funding for Non Recoupment academies and Newly Qualified Teachers, recently reduced from £0.044m by £0.021m as there is a net cost to the LA of the inclusion Non Recoupment academies.

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 the 2014-15 year end, affecting the outturn position for 2015-16.

As shown in Table 3 below, the total DSG received in year is expected to be **£80.313m** and the overall variance in funding in 2015-16 is **£2.140m**.

| Table 3– DSG receivable | | | |
|---|------------------|------------------|-----------------|
| Allocation | Budget | Expected | Variance |
| | £m | £m | £m |
| EFA's DSG Allocation | (148.901) | (148.924) | (0.023) |
| EFA DSG 2 year olds (note 2) | (2.782) | (1.696) | 1.086 |
| EFA DSG 3 & 4 year olds (note 3) | (9.156) | (8.853) | 303 |
| EFA DSG Early Years Pupil Premium | (0.165) | (0.165) | 0 |
| Total DSG allocation | (161.004) | (159.638) | 1.366 |
| Less Academy recoupment (note 11) | 77.091 | 77.231 | 0.140 |
| Less EFA Direct Funding of High Need places | 1.460 | 2.021 | 0.561 |
| DSG receivable 2015-16 | (82.453) | (80.386) | 2.067 |
| Less 3 & 4 year old Spring 2015 Census adjustment | 0.000 | 0.073 | 0.073 |
| DSG received in year 2015-16 | (82.453) | (80.313) | 2.140 |

Note 2 – Disadvantaged two year old nursery funding **£0.952m underspend**
£1.086m decreased funding

The budget of £2.787m for 2 year old places was underspent by **£0.952m** due to slippage of building projects for infrastructure expansions of nursery provision and fluctuations in Department of Work and Pensions data.

The funding is based on the actual pupil numbers at the spring census 2015 (5/12ths) and spring census 2016 (7/12ths). The final spring census numbers were slightly lower than anticipated. The funding will be paid on FTE as for 3 and 4 year olds so Table 4 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 Actual |
| January 2015 Census (5/12) | 957 | 574 | 295 |
| January 2016 Census (7/12) | 1,000 | 600 | 406 |
| Full Year Equivalent | 982 | 589 | 359 |
| 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 | £1,695,805 |
| Difference | | | (£1,086,339) |

The estimated net decrease in 2 year old pupils of 229 FTE will result in a **£1.086m** reduction of DSG.

Note 3 – Free nursery education (3 & 4 year olds):**£0.212m Overspend
£0.303m Decreased funding**

The 2015-16 outturn position is a **£0.212m** overspend based on actual take up to year end. The early years pupil premium was not allocated to the LA on actual eligible pupil numbers and therefore was not spent in full, the **£0.063m** underspend offsets pressures in Maintained settings of **£0.076m** and in Private, Voluntary and Independent (PVI) settings of **£0.180m**. There is also a staffing pressure of **£0.017m**.

As reported previously this element of DSG is based on participation and along with the overspend there will also be a decrease in the amount of Dedicated Schools Grant receivable as the FTE numbers are 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 final 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 Actual |
| January 2015 Census (5/12) | 2,355 | 2,231 |
| January 2016 Census (7/12) | 2,355 | 2,310 |
| Full Year Equivalent | 2,355 | 2,277 |
| 3 and 4 year old funding rate | £3,888.06 | £3,888.06 |
| Total DSG receivable | £9,156,381 | £8,853,437 |
| Difference | | (£302,944) |

The net decrease in early years' pupils of 78 FTE will result in a **£0.303m** reduction of DSG.

Note 4 – High Needs Top Ups:**Mainstream £0.445m Overspend
Specialist £0.109m Overspend**

The High Needs Top Ups budget is overspent by **£0.554m**. The expenditure for specialist top ups increased by £0.017m for additional high need top ups and mainstream expenditure increased by £0.007m for additional early years payments. 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 **£0.027m** overspent.

Note 6 – External Placement fees:**£0.603m Underspend**

The External Placement fees budget is **£0.603m** underspent, the latest month on month favourable movement of £0.042m reflects the ending of placements and reduced costs for a number of placements.

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 pressure on HN Top ups for all settings at note 4 £0.554m but this is also offset by the underspend for External Placements £0.603m at note 6, i.e. a current net underspend across these cost centres of £0.364m including the High Needs Contingency.

Note 8 – Post 16 – New Responsibilities:**£0.059m Underspend**

The overspend for FE providers was £0.220m including 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 £0.279m.

Note 9 – Other low risk retained budgets:**£0.036m Overspend**

The total underspend across these budgets is a pressure of £0.036m, is related to the payment of 2015/16 growth funding to expanding schools **£0.033m** and from other minor variances totalling **£0.003m**.

Note 10 – Maintained School budgets (Mainstream):**£0.248m Underspend**

Mainstream primary school budgets were underspent by **£0.248m** due to an in year academy conversion, the funding will be recouped from SBC and paid to the academy directly by the EFA increasing the EFA recoupment for academies (see note 11 below).

Note 11 – EFA recoupment for academies:**£0.140m Overspend**

The EFA have increased the amount of DSG funding they expect to recoup for academies by **£0.245m** due to a recent academy converter, the EFA reduced the recoupment due to the LA funding part year growth funding for two primary academies **£0.105m** as 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 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 year end position is as follows:

| Table 6 – DSG Balance | Latest Position |
|--|------------------------|
| Opening DSG balance bfwf from 2014-15 | £1.098m |
| Less – in year deficit (see table 2) | (£0.889m) |
| DSG balance unallocated to carry forward to 2016-17 | £0.209m |

The Leadership Team is asked to note that the unallocated DSG balance is £0.209m 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 year-end underspend of £1.082m 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 March 2016

| Group Budget position by expenditure type | Full year budget £'000 | Full year actual £'000 | Full Year variance £'000 |
|---|---------------------------|---------------------------|-----------------------------|
| Employees | 1,247 | 1,293 | 46 |
| Premises | 1,036 | 1,031 | (4) |
| Transport | 12 | 9 | (3) |
| Supplies & Services | 1,138 | 1,189 | 51 |
| 3rd Party Payments | 27,857 | 26,608 | (1,248) |
| Internal Recharges | 889 | 941 | 52 |
| Capital Financing | 0 | 0 | 0 |
| Income | (2,716) | (2,691) | 25 |
| Total | 29,463 | 28,381 | (1,082) |

6) Improving Forecasting

Given that we are accountable to the Schools Forum regarding the effective management of the DSG, monthly meetings with senior Budget Managers will continue to be scheduled 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 meetings will be scheduled to discuss key areas and the overall DSG position.

7) Summary of Key Recommendations

The Leadership Team is asked to:-

- *Note that the actual out-turn position, an overspend of £0.889m, will be reported to Corporate Board this month*
- *Note the risk areas above and the out-turn positions*
- *Note that the unallocated DSG balance carried forward is £0.209m*
- *Note the steps proposed aimed at improving forecasting*