

Report to: **Commissioning – Education Leadership Team**  
 From: Anne Mackay, Finance Manager – Education  
 Date: 10<sup>th</sup> June 2016  
 Subject: **Budget Monitoring Report 2016-17 – DSG Services**  
 Period: Period to May 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 May 2016.

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 2016-17 DSG has been allocated so far is provided below.

**Table 1 – DSG 2016-17 Overview**

	<u>£m</u>	<u>£m</u>
<u>Delegated</u>		
Maintained Mainstream schools	45.664	
Maintained Specialist settings (Special Schools and SRP's)	7.551	
Maintained Specialist Settings - £0.520m EFA Post 16 funding	(0.520)	
Academy Mainstream Recoupment	77.104	
Academy Specialist settings (Special Schools and SRP's) Recoupment	2.022	
Commissioned Services	1.034	
		<u>132.855</u>
<u>Centrally retained for provision</u>		
Disadvantaged 2 year old nursery places	2.526	
Free Nursery Entitlement 3 & 4 year olds	9.111	
In Year Pupil Growth	0.656	<u>12.292</u>
High Need SEN		
Portage, SEN equipment, Therapeutic services etc.	0.752	
SBC top ups – mainstream settings	2.280	
SBC top ups - high need specialist settings	9.379	
HN Contingency	0.252	
Tuition Service	0.881	
Out of Borough placements	2.182	
Post 16 provision (new responsibilities)	2.000	
Exclusions income	(0.335)	<u>17.390</u>
<u>Centrally retained to cover SBC and other costs</u>		
Admissions, Free School Meal eligibility checks, school licences, equal pay etc.	1.013	<u>1.013</u>
		<u>30.695</u>
Total DSG Allocation (including Early Years Pupil Premium of £0.164m)		<u>163.550</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 May completion rate was 93.6% (29/31).

*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.

<b>Table 3 – Latest Budget Monitoring Position</b>			
<b>Item</b>	<b>Notes</b>	<b>Budget 2016-17 £'000</b>	<b>Projected Variance £'000</b>
<b><u>High-Risk Areas</u></b>			
2 year old nursery place funding	2	2,526	(559)
Free nursery education (3&4 year olds)	3	9,111	(322)
High Needs Top ups (Mainstream)	4	2,707	(102)
High Needs Top ups (Specialist)	4	8,951	102
Notional SEN supplements (Mainstream)		400	0
External Placement Fees		2,182	0
HN Contingency	5	252	(252)
Post 16 HN Provision - New Responsibilities		2,000	0
School Exclusions / Dual registrations		(335)	0
Tuition Service		881	0
Schools Equal Pay Claims		31	0
<b>Subtotal High Risk Areas</b>		<b>28,705</b>	<b>(1,133)</b>
Other Low risk retained budgets	6	1,990	36
<b>Total Retained Budgets</b>		<b>30,695</b>	<b>(1,097)</b>
Maintained School Budgets (Mainstream)	7	45,664	(2,837)
Maintained School Budgets (Specialist Settings)	7	7,551	(90)
Commissioned Services		1,034	0
EFA 6 <sup>th</sup> Form Place Funding	8	(520)	10
<b>Total DSG School Budgets</b>		<b>53,729</b>	<b>(2,917)</b>
<b>Total DSG Expenditure Budgets</b>		<b>84,424</b>	<b>(4,014)</b>
Mainstream Academy budgets for recoupment	9	77,104	2,796
EFA direct funding of High Need places	9	2,022	90
<b>Total DSG Budget</b>		<b>163,551</b>	<b>(1,128)</b>
DSG Funding allocation receivable	1	(84,424)	3,655
DSG Funding recouped by the EFA for Academies	1	(77,104)	(2,796)
DSG Funding recouped by the EFA for HN places	1	(2,022)	(90)
<b>Total DSG Funding Budgets</b>		<b>(163,551)</b>	<b>769</b>
<b>Total DSG Forecast</b>		<b>0</b>	<b>(359)</b>

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

The main reasons for the variances from budget that are being forecast are provided below:

**Note 1) DSG Funding Receivable**

**£3.655m decreased funding**

The budgeted DSG allocation is **£163.551m** including funding for Early Years Pupil Premium and an estimate of the DSG based on January 2016 and January 2017 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 **£84.424m**.

As shown in Table 3 below, after allowing for academy recoupment and EFA Direct funding of HN places the 2015-16 DSG expected to be received is **£80.769m**, an overall variance in funding in 2016-17 of £3.655m when compared to budget. This reduction in funding is due to lower than anticipated census data for Early Years pupils for 2 year olds **£0.420m** (note 2) and 3 & 4 year olds **£0.348m** (note 3). The other variances are due to an increase in Academy recoupment **£2.796m** (note 9 and offset by a reduction in mainstream primary school budgets of £2.837m note 7) and an increase in EFA Direct Funding of HN places for the SRP places for a recent academy converter **£0.090m** (note 7).

<b><u>Table 3 – 2016-17 DSG receivable</u></b>			
<b>Allocation</b>	<b>Budget £m</b>	<b>Estimated £m</b>	<b>Variance £m</b>
EFA's DSG Allocation	(151.521)	(151.521)	0.000
EFA DSG Early Years for 2 year olds	(2.332)	(1.912)	0.420
EFA DSG Early Years for 3 & 4 year olds	(9.532)	(9.184)	0.348
EFA DSG Early Years Pupil Premium	(0.165)	(0.165)	0.000
<b>Total DSG allocation</b>	<b>(163.551)</b>	<b>(162.782)</b>	<b>0.769</b>
Less Academy recoupment	77.104	79.900	2.796
Less EFA Direct Funding of High Need places	2.022	2.112	0.090
<b>DSG expected to be received in year</b>	<b>(84.424)</b>	<b>(80.769)</b>	<b>3.655</b>

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

**£0.559m Underspend  
£0.420m Decreased funding**

The budget of £2.526m for 2 year old places is expected to be underspent by **£0.559m** in line with a lower than expected January 2016 pupil census.

The funding is based on the actual pupil numbers at the spring census 2016 (5/12ths) and spring census 2017 (7/12ths). The spring 2016 census numbers were lower than anticipated and have fallen since the census data so a prudent estimate of funding has been forecast.

<b>Table 4 – Early Years 2 year old 2016-17 DSG Funding</b>		
	2016-17 Budget	2016-17 Projection
January 2016 Census (5/12)	494	405
January 2017 Census (7/12)	494	405
Full Year Equivalent	494	405
2 year old funding rate for FTE	£4,721.50	£4,721.50
<b>Total DSG receivable</b>	<b>£2,332,421</b>	<b>£1,912,208</b>
Variance		(£420,214)

The estimated net decrease in 2 year old pupils of 89 FTE will result in a **£0.420m** reduction of DSG.

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

**£0.322m Underspend**  
**£0.348m Decreased funding**

The 2016-17 forecast position is a **£0.322m** underspend based on actual take up, the expenditure in Maintained settings is expected to be **£0.319m** lower and the underspend in Private, Voluntary and Independent (PVI) settings is expected to be **£0.003m**.

This element of DSG is based on participation and the LA anticipates that along with the underspend 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 based on the recent spring census. Early Years DSG is calculated based on 5/12ths of the January 2016 and 7/12ths of the January 2017 Early Years Census. The latest DSG calculation compared to the 2016-17 budget agreed by Schools forum is summarised below.

<b>Table 5 – Early Years 3 and 4 year old 2016-17 DSG Funding</b>		
	2016-17 Budget	2016-17 Projection
January 2016 Census (5/12)	2,380	2,310
January 2017 Census (7/12)	2,503	2,399
Full Year Equivalent	2,452	2,362
3 and 4 year old funding rate	£3,888.06	£3,888.06
<b>Total DSG receivable</b>	<b>£9,532,551</b>	<b>£9,183,898</b>
Variance		(£348,653)

The estimated net decrease in early years' pupils of 90 FTE will result in a **£0.348m** reduction of DSG.

**Note 4 – High Needs Top Ups:**

**Mainstream £0.102m Underspend**  
**Specialist £0.102m Pressure**

The High Needs Top Ups budget is forecast to budget. The expenditure for specialist top ups is expected to be £0.102m higher than when the budget was produced and the mainstream expenditure is expected to be £0.102m less than budgeted. 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 – High Needs Contingency:****£0.252m Underspend**

During the 2016-17 budget setting process Schools Forum agreed that a contingency of £0.252m would be held to cover additional top up and placements costs. The **£0.252m** budget is currently expected to cover any emerging pressures from HN Top ups for all settings and External Placements. There is currently a net underspend across these cost centres of £0.252m including the High Needs Contingency but there are inherent risks with these demand led budgets.

**Note 6 – Other low risk retained budgets:****£0.036m Pressure**

The total pressure across these budgets is **£0.036m** and is related to the NNDR credits for two academy conversions, which will now show in the variance between the reduction of mainstream school budgets (note 7) and academy recoupment (note 10).

**Note 7 – Maintained school budgets:****£2.927m Underspend**

The school budgets for two recent mainstream academy converters will now be recouped and paid directly to the academies by the Education Funding Agency (EFA) £2.837m, the reduction in school budgets is £0.041m less than the recoupment to allow for the academy NNDR credit (note 6). The EFA will also pay for the 9 SEN places at the academy with a special resource provision £0.090m, academy recoupment figures have been increased as a result (note 9).

**Note 8 – EFA 6<sup>th</sup> Form Place Funding:****£0.010m Decreased Funding**

The EFA will be funding 51 and not 52 6<sup>th</sup> form places at Swindon Special School **£0.010m**.

**Note 9 – EFA recoupment for academies and HN places:****£2.886m Pressure**

The EFA have increased the amount of DSG funding they expect to recoup for academies by **£2.796m** due to two recent academy conversions, the EFA will also be recouping 9 SEN places to pay the funding directly to an academy with a special resource provision **£0.090m**.

***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:

<b>Table 6 – DSG Balance</b>	<b>Latest Position</b>
<b>Opening DSG balance bfwf from 2015-16</b>	<b>£0.209m</b>
Less – projected in year underspend (see table 2)	£0.359m
<b>Projected DSG balance unallocated</b>	<b>£0.568m</b>

***The Leadership Team is asked to note that the unallocated DSG balance is £0.568m 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 £1.097m across the £30.7m 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 2016

Group Budget position by expenditure type	Year to date budget £'000	Year to date actual £'000	Year to date variance £'000	Total Budget 2016/17 £'000	Forecast Variance 2016/17 £'000
Employees	233	218	(15)	1,398	0
Premises	943	906	(37)	992	37
Transport	2	2	0	12	0
Supplies & Services	287	81	(206)	904	(252)
3rd Party Payments	3,202	6,892	3,691	29,191	(1,001)
Internal Recharges	84	118	34	942	0
Capital Financing	0	0	0	0	0
Income	(1,098)	(997)	101	(2,744)	120
<b>Total</b>	<b>3,653</b>	<b>7,220</b>	<b>3,567</b>	<b>30,695</b>	<b>(1,097)</b>

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

- **Annex A** – this shows a breakdown of all the 2016-17 retained budgets by type of expenditure and income and produces the totals in the “Total budget 2016-17” 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 2016-17 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 underspend of £0.359m, 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 £0.568m*
- *Note the steps proposed aimed at improving forecasting*