

Report to: **Commissioning – Education Leadership Team**  
 From: Anne Mackay, Finance Manager – Education  
 Date: 9<sup>th</sup> September 2016  
 Subject: **Budget Monitoring Report 2016-17 – DSG Services**  
 Period: Period to August 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 August 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  | 2.672     |                |
| SBC top ups - high need specialist settings                                      | 8.986     |                |
| 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

Schools Forum 18<sup>th</sup> October 2016 – DSG Retained Budget Monitoring Report Appendix A to collate period end information. For DSG service areas the end of August completion rate remained at 94.9% (37/39), but it should be noted that the forecast for the other two cost centres cannot be confirmed due to system parameters.

**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**

| <b>Item</b>                                     | <b>Notes</b> | <b>Budget<br/>2016-17<br/>£'000</b> | <b>Projected<br/>Variance<br/>August<br/>£'000</b> | <b>Projected<br/>Variance<br/>July<br/>£'000</b> |
|---|--------------|-------------------------------------|--|--|
| <b><u>High-Risk Areas</u></b>                   |              |                                     |  |  |
| 2 year old nursery place funding                | 2            | 2,526                               | (588)  | (544)  |
| Free nursery education (3&4 year olds)          | 3            | 9,111                               | (401)  | (322)  |
| High Needs Top ups (Specialist and Mainstream)  | 4            | 11,658                              | 0  | 0  |
| Notional SEN supplements (Mainstream)           |              | 400                                 | 0  | 0  |
| External Placement Fees                         |              | 2,182                               | 0  | 0  |
| HN Contingency                                  | 5            | 252                                 | (252)  | (252)  |
| Post 16 HN Provision - New Responsibilities     |              | 2,000                               | 0  | 0  |
| School Exclusions / Dual registrations          | 6            | (335)                               | 20   | 20   |
| Tuition Service                                 |              | 881                                 | 0  | 0  |
| Schools Equal Pay Claims                        |              | 31                                  | 0  | 0  |
| <b>Subtotal High Risk Areas</b>                 |              | <b>28,705</b>                       | <b>(1,221)</b>                                     | <b>(1,098)</b>                                   |
| Other Low risk retained budgets                 | 7            | 1,990                               | 130  | 130  |
| Early Years 30 hours implementation costs       |              | 150                                 | 0  | 0  |
| Early Years 30 hours implementation grant       |              | (150)                               | 0  | 0  |
| <b>Total Retained Budgets</b>                   |              | <b>30,695</b>                       | <b>(1,091)</b>                                     | <b>(968)</b>                                     |
| Maintained School Budgets (Mainstream)          | 8            | 45,664                              | (2,837)  | (2,837)  |
| Maintained School Budgets (Specialist Settings) | 8            | 7,551                               | (90)   | (90)   |
| Commissioned Services                           |              | 1,034                               | 0  | 0  |
| EFA 6 <sup>th</sup> Form Place Funding          | 9            | (520)                               | 10   | 10   |
| <b>Total DSG School Budgets</b>                 |              | <b>53,729</b>                       | <b>(2,917)</b>                                     | <b>(2,917)</b>                                   |
| <b>Total DSG Expenditure Budgets</b>            |              | <b>84,424</b>                       | <b>(4,008)</b>                                     | <b>(3,885)</b>                                   |
| Mainstream Academy budgets for recoupment       | 10           | 77,104                              | 2,796  | 2,796  |
| EFA direct funding of High Need places          | 10           | 2,022                               | 90   | 90   |
| <b>Total DSG Budget</b>                         |              | <b>163,551</b>                      | <b>(1,122)</b>                                     | <b>(999)</b>                                     |
| DSG Funding allocation receivable               | 1            | (84,424)                            | 3,601  | 3,603  |
| DSG Funding recouped by the EFA for Academies   | 1            | (77,104)                            | (2,796)  | (2,796)  |
| DSG Funding recouped by the EFA for HN places   | 1            | (2,022)                             | (90)   | (90)   |
| <b>Total DSG Funding Budgets</b>                |              | <b>(163,551)</b>                    | <b>715</b>   | <b>717</b>                                       |
| <b>Total DSG Forecast</b>                       |              | <b>0</b>                            | <b>(407)</b>                                       | <b>(282)</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**

**£3.603m decreased funding**

**Budget allocation**

As reported last month 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**.

**Actual receipt**

As at **(A)** in table 3 below, after allowing for academy recoupment and EFA Direct funding of HN places the 2016-17 DSG expected to be received is **£80.777m**, an overall variance in funding in 2016-17 of **£3.648m** when compared to budget. This reduction in funding is due to lower than anticipated census data for Early Years pupils for 2 year olds **£0.406m** (note 2) and 3 & 4 year olds **£0.319m** (note 3). The Early Years Pupil Premium allocation has been amended by the EFA following the spring census to £0.128m, a decrease of **£0.036m**.

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).

The EFA have also finalised the spring census and the final numbers in both 2 year olds and 3 & 4 year olds were higher than anticipated at year end leading to the receipt of an additional **£0.047m**. As shown at **(B)** in Table 3 below, the total DSG expected to be received is **£80.824m**, an overall variance of **£3.601m** when compared to the DSG budget allocation.

**Table 3– 2016-17 DSG receivable**

| <b>Allocation</b>                                    | <b>Budget £m</b> | <b>Expected £m</b> | <b>Variance £m</b> |
|--|------------------|--------------------|--------------------|
| EFA's DSG Allocation (Schools & HN Block)            | (151.521)        | (151.521)          | 0.000              |
| EFA DSG Early Years for 2 year olds                  | (2.332)          | (1.926)            | 0.406              |
| EFA DSG Early Years for 3 & 4 year olds              | (9.532)          | (9.213)            | 0.319              |
| EFA DSG Early Years Pupil Premium                    | (0.165)          | (0.128)            | 0.036              |
| <b>Total DSG allocation</b>                          | <b>(163.551)</b> | <b>(162.789)</b>   | <b>0.761</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>(A) DSG receivable 2016-17</b>                    | <b>(84.424)</b>  | <b>(80.777)</b>    | <b>3.648</b>       |
| Early Years Spring 16 Census 2 yr olds               | 0.000            | (0.008)            | (0.008)            |
| Early Years Spring 16 Census 3&4 yr olds             | 0.000            | (0.039)            | (0.039)            |
| <b>(B) DSG expected to be received in year 16-17</b> | <b>(84.424)</b>  | <b>(80.824)</b>    | <b>3.601</b>       |

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

**£0.588m Decreased expenditure**

**£0.406m Decreased funding**

Following the summer payments to providers the total payments for the year are now expected to be **£0.588m** lower than the budget of £2.526m for 2 year old places in line with a lower than

budgeted January 2016 pupil census. Private, voluntary and independent settings are expected to be £0.889m lower than budgeted offset by a pressure of £0.285m for maintained nursery settings.

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               | 408                |
| January 2017 Census (7/12)                                  | 494               | 408                |
| Full Year Equivalent  | 494               | 408                |
| 2 year old funding rate for FTE                             | £4,721.50         | £4,721.50          |
| <b>Total DSG receivable</b>                                 | <b>£2,332,421</b> | <b>£1,926,372</b>  |
| Variance  |                   | (£406,049)         |

The estimated net decrease in 2 year old pupils of 86 FTE will result in a **£0.406m** reduction of DSG.

**Note 3 – Free nursery education (3 & 4 year olds):** **£0.401m Decreased expenditure**  
**£0.313m Decreased funding**

Following the summer payments the 2016-17 forecast position is **£0.322m** lower than budget based on actual take up, the expenditure in Private, Voluntary and Independent (PVI) settings is expected to be **£0.488m** less than budget offset by a pressure in Maintained settings of **£0.087m**.

This element of DSG is based on participation and the LA anticipates that along with the decrease in expenditure 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             | 2,328              |
| January 2017 Census (7/12)  | 2,503             | 2,369.31           |
| Full Year Equivalent  | 2,452             | 2,369.60           |
| 3 and 4 year old funding rate                                     | £3,888.06         | £3,888.06          |
| <b>Total DSG receivable</b>                                       | <b>£9,532,551</b> | <b>£9,213,143</b>  |
| Variance  |                   | (£319,408)         |

The estimated net decrease in early years' pupils of approximately 82 FTE will result in a **£0.319m** reduction of DSG.

**Note 4 – High Needs Top Ups:****£0 variance as forecast to budget**

The overall High Needs Top Ups budget forecast is currently expected to be in line with budget, including an additional £0.050m expenditure for Early Years pupils. There are still some risks relating to expected bandings and vacant places in some specialist provisions that could fill up during the year.

The LA has established robust SENRAP processes and there is rigorous moderation of all applications.

**Note 5 – High Needs Contingency:****£0.252m not yet utilised**

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 expected to cover emerging pressures in HN Top ups for all settings and External Placement fees, there are inherent risks with these demand led budgets, however they are currently forecast to be in line with budget.

**Note 6 – Exclusions:****£0.020m Pressure**

Within the Tuition Service there is an increasing number of short term placements (currently 28/45) where a charge is not made resulting in a pressure of **£0.020m**.

**Note 7 – Other low risk retained budgets:****£0.130m Pressure**

The total pressure across these budgets is **£0.130m**, £0.036m 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 8) and academy recoupment (note 10) and £0.012m for increased NNDR costs for an expanded maintained school. There is also an £0.80m pressure related to pupil growth (Trigger funding) as 70 new reception places needed to be created in North Swindon from September 16 and a small variance relating to the cost of manuals for families supported by the Portage service £0.002m.

**Note 8 – Maintained school budgets:****£2.927m Decreased expenditure**

As reported previously 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 7). 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 10).

**Note 9 – EFA 6<sup>th</sup> Form Place Funding:****£0.010m Decreased Funding**

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

**Note 10 – EFA recoupment for academies and HN places:****£2.886m Pressure**

As reported last month, the EFA have increased the amount of DSG funding they expect to recoup for academies by **£2.796m** due 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>         |
| Plus projected in year position (see table 2) | £0.407m                |
| <b>Projected DSG balance unallocated</b>      | <b>£0.616m</b>         |

**The Leadership Team is asked to note that the unallocated DSG balance is £0.616m 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 position of £1.091m 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.

**Table 3 - Subjective analysis Delegated DSG August 2016**

| 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<br>2016/17<br>£'000 | Forecast Variance<br>2016/17<br>£'000 |
|---|------------------------------|------------------------------|--------------------------------|----------------------------------|---------------------------------------|
| Employees                                 | 582                          | 560                          | (22)                           | 1,398                            | 23                                    |
| Premises                                  | 933                          | 909                          | (23)                           | 992                              | (2)                                   |
| Transport                                 | 5                            | 6                            | 1                              | 12                               | 0                                     |
| Supplies & Services                       | 646                          | 530                          | (117)                          | 1,568                            | (248)                                 |
| 3rd Party Payments                        | 10,338                       | 10,572                       | 234                            | 29,041                           | (947)                                 |
| Internal Recharges                        | 865                          | 903                          | 38                             | 942                              | 20                                    |
| Capital Financing                         | 0                            | 0                            | 0                              | 0                                | 0                                     |
| Income                                    | (1,611)                      | (1,823)                      | (212)                          | (3,257)                          | 63                                    |
| <b>Total</b>                              | <b>11,758</b>                | <b>11,657</b>                | <b>(101)</b>                   | <b>30,695</b>                    | <b>(1,091)</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, projected to be £0.407m below budget, 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 £0.616m
- Note the steps proposed aimed at improving forecasting