

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 9th December 2016
 Subject: **Budget Monitoring Report 2016-17 – DSG Services**
 Period: Period to November 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 November 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. The table has been updated to take account of the 30 hours implementation grant which is now part of the budgets for the DSG allocation and 3 & 4 year old nursery entitlement.

Table 1 – DSG 2016-17 Overview – updated October

	<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 (+£0.803m, was £9.111m)	9.914	
In Year Pupil Growth	0.656	<u>13.095</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>31.498</u>
Total DSG Allocation (including Early Years Pupil Premium of £0.164m) (was £163.550m)		<u>164.353</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 decreased from 94.9% (37/39) to 84.6% (33/39), it should be noted that the forecast for one 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

Item	Notes	Budget 2016-17 £'000	Projected Variance November £'000	Projected Variance October £'000
<u>High-Risk Areas</u>				
2 year old nursery place funding	2	2,526	(617)	(588)
Free nursery education (3&4 year olds)	3	9,914	(543)	(436)
High Needs Top ups	4	11,658	117	0
Notional SEN supplements (Mainstream)		400	0	0
External Placement Fees	5	2,182	38	0
HN Contingency	6	252	(252)	(252)
Post 16 HN Provision - New Responsibilities	7	2,000	(148)	0
School Exclusions / Dual registrations	8	(335)	41	20
Tuition Service	9	881	24	24
Schools Equal Pay Claims		31	0	0
Subtotal High Risk Areas		29,508	(1,340)	(1,232)
Other Low risk retained budgets	10	1,990	142	139
Total Retained Budgets		31,498	(1,198)	(1,093)
Maintained School Budgets (Mainstream)	11	45,664	(3,024)	(3,024)
Maintained School Budgets (Specialist Settings)	11	7,551	(90)	(90)
Commissioned Services		1,034	0	0
EFA 6 th Form Place Funding	12	(520)	10	10
Total DSG School Budgets		53,729	(3,104)	(3,104)
Total DSG Expenditure Budgets		85,227	(4,302)	(4,197)
Mainstream Academy budgets for recoupment	13	77,104	2,983	2,983
EFA direct funding of High Need places	13	2,022	90	90
Total DSG Budget		164,353	(1,229)	(1,124)
DSG Funding allocation receivable	1	(85,227)	3,949	3,835
DSG Funding recouped by the EFA for Academies	1	(77,104)	(2,983)	(2,983)
DSG Funding recouped by the EFA for HN places	1	(2,022)	(90)	(90)
Total DSG Funding Budgets		(164,354)	876	762
Total DSG Forecast		(0)	(353)	(362)

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

Note 1) DSG Funding Receivable

£3.949m decreased funding

Budget allocation

The DSG allocation has been updated to take into account the 30 hours early implementer funding for 3 & 4 year olds. The revised budgeted DSG allocation is now **£164.354m** 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 **£85.228m**.

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 **£81.278m**, an overall variance in funding in 2016-17 of **£3.949m** 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 **£0.481m** (note 3).

The budget and DSG expected has been increased by **£0.803m** for the 30 Hours Implementation funding. The Early Years Pupil Premium allocation has been amended by the EFA following the spring census to £0.128m, a decrease of **£0.037m**.

The other variances are due to an increase in Academy recoupment **£2.983m** (note 12 and offset by a reduction in mainstream primary school budgets of £3.024m note 10) and an increase in EFA Direct Funding of HN places for the SRP places for a recent academy converter **£0.090m** (note 12).

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 **£81.278m**, an overall variance of **£3.949m** when compared to the DSG budget allocation.

<u>Table 3– 2016-17 DSG receivable</u>			
Allocation	Budget £m	Expected £m	Variance £m
EFA's DSG Allocation	(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)	(9.051)	0.481
EFA DSG Early Years 30 Hours implementation	(0.803)	(0.803)	0.000
EFA DSG Early Years Pupil Premium	(0.165)	(0.128)	0.037
Total DSG allocation	(164.354)	(163.430)	0.924
Less Academy recoupment	77.104	80.087	2.983
Less EFA Direct Funding of High Need places	2.022	2.112	0.090
(A) DSG receivable 2016-17	(85.228)	(81.231)	3.996
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) DSG expected to be received in year 16-17	(85.228)	(81.278)	3.949

**Note 2 – Disadvantaged two year old nursery funding £0.617m Decreased expenditure
£0.406m Decreased funding**

As reported previously, following the summer payments to providers the total payments for the year are now expected to be **£0.617m** lower than the budget of £2.526m for 2 year old places in line with a lower than budgeted January 2016 pupil census. An estimate had been made for autumn adjustments but the actual numbers were lower than expected. 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.

Table 4 – Early Years 2 year old 2016-17 DSG Funding		
	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
Total DSG receivable	£2,332,421	£1,926,372
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): £0.543m Decreased expenditure
£0.367m Decreased funding**

The 2016-17 forecast position is now expected to be **£0.543m** lower than budget based on actual take up, the expenditure in Private, Voluntary and Independent (PVI) settings is expected to be **£0.516m** less than budget and in Maintained settings **£0.027m** less than budget. The budget has been increased by £0.803m as the LA is one of the authorities taking part in the 30 Hours Early Implementer scheme.

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 overleaf.

Table 5 – Early Years 3 and 4 year old 2016-17 DSG Funding		
	2016-17 Budget	2016-17 Projection
January 2016 Census (5/12)	2,380	2,328.00
January 2017 Census (7/12)	2,503	2,328.02
Full Year Equivalent	2,452	2,328.01
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£9,532,551	£9,051,448
Variance		(£481,103)

The estimated net decrease in early years' pupils of approximately 124 FTE will result in a **£0.481m** reduction of DSG.

Note 4 – High Needs Top Ups: **£0.117m Pressure**

The overall High Needs Top Ups budget forecast has increased to a £0.117m pressure since last month, including an additional £0.050m expenditure for Early Years pupils. The increase in pressure is as a result of bespoke TIPS packages and a number of banding adjustments at a special school. 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 – External placements: **£0.038m Pressure**

A pressure in external placements of £0.038m has emerged this month due to recent changes in placements, the additional costs for 7 new placements £0.121m is offset by £0.083m reduction in costs following the ending of 3 placements. There remains inherent risks with this demand led budget.

Note 6 – High Needs Contingency: **£0.252m not fully 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 currently expected to cover emerging pressures in HN Top ups for all settings £0.117m (note 4) and External Placement fees £0.038m (note 5) but it should be noted that there are inherent risks with these demand led budgets.

Note 7 – Post 16 HN Provision: **£0.148m Saving**

The forecast for Post 16 Provision has been revisited now that the impact of the new academic year intake has been assessed and a saving of £0.148m has been identified. A contingency has been retained for 82 pupils, whose destination is yet to be established, further work will be undertaken to identify whether these costs will materialise.

Note 8 – Exclusions: **£0.041m Pressure**

As reported previously, within the Tuition Service there is an increasing number of short term placements (currently 35/53) where a charge is not made resulting in a pressure of **£0.041m**.

Note 9 – Tuition Service: **£0.024m Pressure**

Salary pressure due to the service's requirement for staff cover and the support needed due to the long term absence of two colleagues.

Note 10 – Other low risk retained budgets: **£0.142m Pressure**

The total pressure across these budgets is **£0.142m**, £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 11) and academy recoupment (note 13) and £0.014m 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. There is a pressure of £0.010m related to staffing cover required for a statutory service due to long term absence and increased postage costs.

Note 11 – Maintained school budgets: **£3.024m Decreased expenditure**

The projected expenditure for maintained school budgets has decreased further as a result of a new academy conversion £0.187m. As reported previously the school budgets for two

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 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 10). 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 13).

Note 12 – EFA 6th Form Place Funding: £0.010m Decreased Funding

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

Note 13 – EFA recoupment for academies and HN places: £3.073m Pressure

The EFA are expected to increase the amount of DSG funding they expect to recoup by **£3.073m** for academies by **£2.983m** due three 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:

Table 6 – DSG Balance	Latest Position
Opening DSG balance b/fwd from 2015-16	£0.209m
Plus – projected in year position (see table 2)	£0.353m
Projected DSG balance unallocated	£0.562m

The Leadership Team is asked to note that the unallocated DSG balance is expected to be £0.562m 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 £1.198m across the £31.498m 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 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	932	883	(49)	1,398	(10)
Premises	944	930	(14)	992	4
Transport	8	8	(0)	12	1
Supplies & Services	895	768	(127)	1,568	(109)
3rd Party Payments	17,440	17,587	148	29,844	(1,398)
Internal Recharges	891	908	17	942	50
Income	(1,964)	(1,945)	19	(3,257)	263
Total	19,145	19,138	(7)	31,498	(1,198)

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

- **Appendix B** – 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
- **Appendix C** – 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.

7) Summary of Key Recommendations

The Leadership Team is asked to:-

- Note that the forecast out-turn position, which is now projected to be £0.353m 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 now expected to be £0.562m.
- Note the steps proposed aimed at improving forecasting