

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 26th May 2017
 Subject: **Budget Monitoring Report 2016-17 – DSG Services**
 Period: Period to end financial year 2016/17

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 the 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 2016-17 DSG has been allocated is provided below. As reported previously 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 – (budget update October 16)

	<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 ESFA 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>

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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

Item	Notes	Budget 2016-17 £'000	Actual Year-end Variance £'000	Projected Variance February £'000
High-Risk Areas				
2 year old nursery place funding	2	2,526	(658)	(683)
Free nursery education (3&4 year olds)	3	9,914	(1,027)	(688)
High Needs Top ups	4	11,658	235	222
Notional SEN supplements (Mainstream)		400	0	0
External Placement Fees	5	2,182	59	97
HN Contingency	6	252	(210)	(210)
Post 16 HN Provision - New Responsibilities	7	2,000	(372)	(355)
School Exclusions / Dual registrations	8	(335)	4	9
Tuition Service	9	881	42	26
Schools Equal Pay Claims		31	0	0
Subtotal High Risk Areas		29,508	(1,927)	(1,582)
Other Low risk retained budgets	10	1,990	(27)	5
Total Retained Budgets		31,498	(1,954)	(1,577)
Maintained School Budgets (Mainstream)	11	45,664	(3,023)	(3,024)
Maintained School Budgets (Specialist Settings)	11	7,551	(99)	(99)
Commissioned Services		1,034	(0)	0
ESFA 6 th Form Place Funding	12	(520)	10	10
Total DSG School Budgets		53,729	(3,112)	(3,113)
Total DSG Expenditure Budgets		85,227	(5,066)	(4,690)
Mainstream Academy budgets for recoupment	13	77,104	2,983	2,983
ESFA direct funding of High Need places	13	2,022	90	90
Total DSG Budget		164,353	(1,993)	(1,617)
DSG Funding allocation receivable	1	(85,227)	4,707	4,301
DSG Funding recouped by the ESFA for Academies	1	(77,104)	(2,983)	(2,983)
DSG Funding recouped by the ESFA for HN places	1	(2,022)	(90)	(90)
Total DSG Funding Budgets		(164,354)	1,634	1,228
Total DSG Forecast		(0)	(359)	(389)

The Leadership Team is asked to note the risk areas above and the actual out-turn position, £0.359m below budget, was reported to Corporate Management Team in May.

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

Note 1) DSG Funding Receivable

£4.707m decreased funding

Budget allocation

The DSG allocation has previously 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 Education and Skills Funding Agency (ESFA) but the actual cash received is the DSG allocation less Academy Recoupment and High Need places funded directly by the ESFA, a budgeted DSG receivable of **£85.228m**.

Actual receipt

As at **(A)** in table 3 below, after allowing for academy recoupment and ESFA Direct funding of HN places the 2016-17 DSG expected to be received is **£80.473m**, an overall variance in funding in 2016-17 of **£4.754m** when compared to budget. This reduction in funding is due to lower than anticipated census data for Early Years pupils for 2 year olds **£0.549m** (note 2) and 3 & 4 year olds **£0.672m** (note 3).

The budget was increased by £0.803m for the 30 Hours Implementation funding, the actual receipt was **£0.366m** below budget based on participation (note 3). The Early Years Pupil Premium allocation has been amended following the spring census to £0.109m, a decrease of **£0.056m**.

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 ESFA Direct Funding of HN places for the SRP places for a recent academy converter **£0.090m** (note 12), both of which reduce the value of the DSG funding receivable.

The ESFA 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 **£80.927m**, an overall variance of **£4.301m** when compared to the DSG budget allocation.

<u>Table 3– 2016-17 DSG receivable</u>			
Allocation	Budget £m	Expected £m	Variance £m
ESFA's DSG Allocation	(151.521)	(151.482)	0.039
ESFA DSG Early Years for 2 year olds	(2.332)	(1.783)	0.545
ESFA DSG Early Years for 3 & 4 year olds	(9.532)	(8.861)	0.672
ESFA DSG Early Years 30 Hours implementation	(0.803)	(0.437)	0.366
ESFA DSG Early Years Pupil Premium	(0.165)	(0.109)	0.056
Total DSG allocation	(164.354)	(162.671)*	1.683
Less Academy recoupment	77.104	80.086	2.982
Less ESFA Direct Funding of High Need places	2.022	2.112	0.090
(A) DSG receivable 2016-17	(85.228)	(80.473)*	4.754
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)	(80.520)	4.707*

*roundings £0.001m

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**Note 2 – Disadvantaged two year old nursery funding £0.658m Decreased expenditure
£0.549m Decreased funding**

Following the release of the January 2017 census the total payments for the year were **£0.658m** lower than the budget of £2.526m for 2 year old places in line with a lower than budgeted January 2017 pupil census. Private, voluntary and independent settings were £0.917m lower than budgeted offset by a pressure of £0.245m for maintained nursery settings and operational cost variances of £0.014m.

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 further in the spring 2017 census so the funding forecast has been recalculated. The ESFA will not confirm the funding until July 2017 so the actual funding expected for 2016/17 is still an estimate.

Table 4 – Early Years 2 year old 2016-17 DSG Funding		
	2016-17 Budget	2016-17 Projection
January 2016 Census (5/12)	494	408.00
January 2017 Census (7/12)	494	356.00
Full Year Equivalent	494	377.67
2 year old funding rate for FTE	£4,721.50	£4,721.50
Total DSG receivable	£2,332,421	£1,787,487
Variance		(£544,934)

The estimated net decrease in 2 year old pupils of 116.33 FTE will result in a **£0.549m** reduction of DSG.

**Note 3 – Free nursery education (3 & 4 year olds): £1.027m Decreased expenditure
£0.672m Decreased funding**

The 2016-17 actual position was **£1.027m** lower than budget based on the spring 17 census take up, the breakdown for expenditure in Private, Voluntary and Independent (PVI) settings was **£0.535m** less than budget and in Maintained settings **£0.069m** less than budget. The budget was increased earlier this year by £0.803m as the LA is one of the authorities taking part in the 30 Hours Early Implementer scheme, the actual expenditure for this budget was **£0.395m** below budget. The Pupil Premium expected to be paid through the 3 & 4 year olds budget is also **£0.055m** less than budgeted.

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 lower than budgeted based on the recent spring census. The ESFA will not confirm the funding until July 2017 so the funding projection is still provisional. 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.

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	2,244.00
Full Year Equivalent	2,452	2,279.00
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£9,532,551	£8,860,889
Variance		(£671,662)

The estimated net decrease in early years' pupils of approximately 172.75 FTE will result in a **£0.672m** reduction of DSG.

Note 4 – High Needs Top Ups:

£0.235m Pressure

The overall High Needs Top Ups actual expenditure increased by £0.013m to a pressure of £0.235m since February. The increase in pressure is as a result of increased top up payments following a number of minor banding adjustments for pupils across various settings.

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

Note 5 – External placements:

£0.059m Pressure

The pressure in external placements reduced by £0.038m to £0.059m. Expenditure increased by **£0.077m** due to tri-partite funded placement agreements offset by a reduction in costs of **£0.115m** due to the ending of the risk for placements that were included in the forecast but did not start before the end of the financial year and.

Note 6 – High Needs Contingency:

£0.210m Below budget

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 contingency is also providing £0.042k of bespoke intervention and support for pupils at a special school to avoid new placements being required at short notice for up to 28 pupils, some of who may have required costly out of borough placements. The support provided is from January to March and is an average of £1.5k per pupil. The remaining **£0.210m** budget is not spent but this saving is not enough to offset all of the emerging pressures in HN Top ups for all settings £0.235m (note 4) and External Placement fees £0.059m (note 5). There is an overall pressure between the three budgets of £0.084m.

Note 7 – Post 16 HN Provision:

£0.372m Saving

The final year-end position for Post 16 provision is a saving of £0.372m, all unplaced pupils were contacted during the year to identify if they were in a Post 16 setting, a number of pupils recently identified have been found on the Not in Education, Employment or Training (NEET) register. This final position included additional costs identified for an FE provider. Included in the overall saving of £0.372m in year savings from element 2 funding of £0.060m, which was paid directly to a special school by the ESFA rather than SBC.

Note 8 – Exclusions:

£0.004m Pressure

As reported previously, within the Tuition Service there is an increasing number of short term placements (at February 28/51) where a charge is not made resulting in a pressure of **£0.044m**. Charges are not made in a number of situations including permanently excluded pupils as Stratton Education Centre is full, pupils from an SEN specialist placement, pupils

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from out of borough, pupils joining from Elective Home Education and those who have been supported within other areas of Education Other than at School (EOTAS). This pressure is offset by a significant increase in the number of permanent exclusions and therefore the income increased by **£0.050m**.

Note 9 – Tuition Service:

£0.042m 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, offset by a premises cost saving.

Note 10 – Other low risk retained budgets:

£0.027m Saving

The final position overall across all of the low risk budgets reduced to a saving of **£0.027m**, as new savings based on actual expenditure were identified following salary savings and the payments of pupil growth funding based on the actual increase in pupil numbers in agreed settings and other minor savings across a number of low risk budgets, totalling £0.078m. These reductions in actual costs are offset by a number of pressures including expected savings of £0.036m budgeted in relation 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). There were further pressures of £0.016m for increased NNDR costs for an expanded maintained school and a pre-school now run by a maintained school.

Note 11 – Maintained school budgets:

£3.122m Decreased expenditure

As reported previously the actual expenditure for maintained school budgets decreased as a result of an academy conversion £0.187m. The school budgets for two recent mainstream academy converters were recouped and paid directly to the academies by the Education and Skills Funding Agency (ESFA) £2.836m. The reduction in school budgets is £0.041m less than the recoupment to allow for the academy NNDR credit (note 10). There was been a minor adjustment to SRP place funding following the final payments as one additional place was budgeted but was not confirmed by the provision £0.009m.

The ESFA 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 – ESFA 6th Form Place Funding:

£0.010m Decreased Funding

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

Note 13 – ESFA recoupment for academies and HN places:

£3.073m Pressure

The ESFA increased the amount of DSG funding they recouped by **£3.073m** for academies by **£2.983m** due three academy conversions. The ESFA also recouped 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 actual out-turn position.

3) 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 actual year end position is as follows:

Table 6 – DSG Balance	Latest Position
Opening DSG balance b/fwd from 2015-16	£0.209m
Plus actual year-end position (see table 2)	£0.359m*
Actual DSG balance unallocated	£0.568m

*Actual amount transferred to reserves £359,754.79

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The Leadership Team is asked to note that the unallocated DSG balance is expected to be £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.

4) Subjective Analysis

A summary of the year-end position of £1.954m 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 March 2017

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	1,398	1,326	(72)	1,398	(29)
Premises	992	984	(9)	992	(5)
Transport	12	12	(0)	12	2
Supplies & Services	1,568	2,055	454	1,568	11
3rd Party Payments	29,844	27,249	(2,594)	29,844	(1,739)
Internal Recharges	942	996	54	942	50
Capital Financing	0	0	0	0	0
Income	(3,223)	(3,009)	214	(3,223)	133
Total	31,533	29,578	(1,954)	31,533	(1,577)

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 continued need to agree realistic budget profiles for input to the oracle system.

5) Improving Forecasting

Given that we are accountable to the Schools Forum regarding the effective management of the DSG, all high risk forecast figures were regularly challenged and this enabled 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 overall actual year end position was £0.030m less than forecast the only significant variance was on 30 hours Implementation expenditure which was offset by a similar reduction in funding as they had been forecast to be in line with budget but due to participation were not.

6) Summary of Key Recommendations

The Leadership Team is asked to:-

- Note that the actual out-turn position (subject to audit), which is £0.359m below budget, was reported to Corporate Board earlier this month
- Note that the unallocated DSG balance is now £0.568m.

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