

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 6th February 2018
 Subject: **Budget Monitoring Report 2017-18 DSG Services**
 Period: Period to January 2018

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 January 2018.

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 2017-18 DSG has been allocated is provided below. The 30 hours implementation grant is now included in the budgets for the DSG allocation and 3 & 4 year old nursery entitlement.

Table 1 – DSG 2017-18 Overview

| | <u>£m</u> | <u>£m</u> |
|--|-----------|----------------|
| <u>Delegated</u> | | |
| Maintained Mainstream schools | 43.164 | |
| Maintained Specialist settings (Special Schools and SRP's) | 7.854 | |
| Maintained Specialist Settings - £0.510m ESFA Post 16 funding | (0.510) | |
| Academy Mainstream Recoupment | 82.597 | |
| Academy Specialist settings (Special Schools and SRP's) Recoupment | 2.147 | |
| Post 16 Transfer for FE Colleges | 1.484 | |
| Commissioned Services | 1.034 | |
| | | 137.769 |
| <u>Centrally retained for provision</u> | | |
| Disadvantaged 2 year old nursery places | 2.059 | |
| Free Nursery Entitlement 3 & 4 year olds (<i>incl. 30 hrs £1.351m</i>) | 11.574 | |
| In Year Pupil Growth | 0.580 | 14.213 |
| <u>High Need SEN</u> | | |
| Portage, SEN equipment, Therapeutic services etc. | 0.809 | |
| SBC top ups – mainstream settings | 11.882 | |
| HN Contingency | 0.065 | |
| Tuition Service | 0.881 | |
| Out of Borough placements | 2.407 | |
| Post 16 provision (new responsibilities) | 1.875 | |
| Exclusions income | (0.335) | 17.582 |
| <u>Centrally retained to cover SBC and other costs</u> | | |
| Admissions, Free School Meal eligibility checks, school licences, equal pay etc. | 1.551 | 1.551 |
| | | 33.346 |
| Total DSG Allocation (including Early Years Pupil Premium of £0.128m) | | 171.115 |

Further information on the subject of this report can be obtained from Anne Mackay, Finance Manager Education, Tel: 07795 256545, amackay@swindon.gov.uk

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 January completion rate decreased by 2.7% to 83.8% (31/37).

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 2017-18 £'000 | Projected Variance Jan 18 £'000 | Projected Variance Dec 17 £'000 |
| <u>High-Risk Areas</u> | | | | |
| 2 year old nursery place funding | 2 | 2,059 | (180) | (180) |
| Free nursery education 3 & 4 year olds | 3 | 11,574 | (389) | (389) |
| High Needs Top ups (Mainstream and High Needs) | 4 | 11,882 | 303 | 310 |
| Notional SEN supplements (Mainstream) | | 400 | 0 | 0 |
| External Placement Fees | 5 | 2,407 | 100 | 100 |
| HN Contingency | 6 | 65 | 44 | 44 |
| Post 16 HN Provision - New Responsibilities | 7 | 1,875 | (201) | (83) |
| School Exclusions / Dual registrations | 8 | (335) | (80) | (80) |
| Tuition Service | 9 | 881 | (63) | (12) |
| Schools Equal Pay Claims | | 31 | 0 | 0 |
| Subtotal High Risk Areas | | 30,838 | (466) | (290) |
| Other Low risk retained budgets | 10 | 2,508 | 53 | 115 |
| Total Retained Budgets | | 33,346 | (413) | (175) |
| Maintained School Budgets (Mainstream) | 11 | 43,164 | (123) | (123) |
| Maintained School Budgets (Specialist Settings) | | 7,854 | (5) | (5) |
| Commissioned Services | | 1,034 | (0) | (0) |
| ESFA 6 th Form Place Funding | | (510) | 0 | 0 |
| Total DSG School Budgets | | 51,541 | (128) | (128) |
| Total DSG Expenditure Budgets | | 84,888 | (541) | (303) |
| Mainstream Academy budgets for recoupment | | 82,597 | 0 | 0 |
| ESFA direct funding of High Need places | 12 | 2,147 | 104 | 104 |
| ESFA direct funding of Post 16 transfer FE Colleges | | 1,484 | 0 | 0 |

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| | | | | |
|---|---|------------------|--------------|--------------|
| Total DSG Budget | | 171,116 | (437) | (199) |
| DSG Funding allocation receivable | 1 | (84,888) | 668 | 668 |
| DSG Funding recouped ESFA for Academies | | (82,597) | 0 | 0 |
| DSG Funding recouped ESFA for HN places | 1 | (2,147) | (104) | (104) |
| ESFA Post 16 transfer FE Colleges | | (1,484) | 0 | 0 |
| Total DSG Funding Budgets | | (171,116) | 564 | 564 |
| Total DSG Forecast | | 0 | 127 | 365 |

The Leadership Team is asked to note the risk areas above and the actual out-turn position, £0.127m above budget, will be reported to Corporate Management Team this month.

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

Note 1) DSG Funding Receivable

£0.668m decreased funding

Budget allocation

The budgeted DSG allocation is **£171.116m** including funding for Early Years Pupil Premium and an estimate of the DSG based on January 2017 and January 2018 census for 2 year olds and 3 & 4 year olds. As reported in previous years 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, High Need places funded directly by the ESFA and ESFA Post 16 Transfer for Further Education Colleges, new for 2017-18. The budgeted DSG receivable is **£84.888m**.

Actual receipt

As reported previously and at **(A)** in table 3 below, after allowing for academy recoupment and ESFA Direct funding of HN places in Pre and Post 16 the 2017-18 DSG expected to be received is **£84.218m**, an overall variance in funding in 2017-18 of **£0.671m** when compared to budget. This reduction in funding is due to lower than anticipated census data for Early Years pupils for 2 year olds **£0.186m** (note 2) and 3 & 4 year olds **£0.380m** (note 3).

Included in the variance is **£0.104m** due to a late notification from the ESFA that the LA needs to fund the Element 2 for 26 places at a provision in a different local authority (note 12), which reduces the value of the DSG funding receivable.

The ESFA have finalised the January 2017 spring census and the final numbers for 2 year olds were slightly higher than anticipated and for 3 & 4 year olds were slightly lower than anticipated at year end leading to the receipt of an additional **£0.003m**. As shown at **(B)** in Table 3 below, the total DSG expected to be received is **£84.221m**, an overall adverse variance of **£0.668m** when compared to the DSG budget allocation.

| <u>Table 3 – 2017-18 DSG receivable</u> | | | |
|--|------------------|--------------------|--------------------|
| Allocation | Budget £m | Expected £m | Variance £m |
| ESFA's DSG Allocation | (157.482) | (157.482) | 0.000 |
| ESFA DSG Early Years for 2 year olds | (2.059) | (1.873) | 0.186 |
| ESFA DSG Early Years for 3 & 4 year olds | (10.094) | (9.714) | 0.380 |

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| | | | |
|--|------------------|------------------|--------------|
| ESFA DSG Early Years 30 Hours implementation | (1.351) | (1.351) | 0.000 |
| ESFA DSG Early Years Pupil Premium | (0.129) | (0.129) | 0.000 |
| Total DSG allocation | (171.116) | (170.550) | 0.567 |
| Less Academy recoupment | 82.597 | 82.597 | 0.000 |
| Less ESFA Direct Funding of High Need places | 2.147 | 2.251 | 0.104 |
| Less ESFA Transfer for Post 16 FE Colleges | 1.484 | 1.484 | 0.000 |
| (A) DSG receivable 2017-18 | (84.888) | (84.218) | 0.671 |
| Early Years Spring 17 Census 2 yr olds | 0.000 | (0.011) | (0.011) |
| Early Years Spring 17 Census 3 & 4 yr olds | 0.000 | 0.009 | 0.009 |
| Early Years Spring 17 census Pupil Premium | 0.000 | (0.001) | (0.001) |
| (B) DSG expected to be received in year 17-18 | (84.888) | (84.221) | 0.668 |

**Note 2 – Disadvantaged two year old nursery funding £0.180m Decreased expenditure
£0.186m Decreased funding**

As reported previously the take up of 2 year old places increased by 30 places to December but the cost for the overall take up for the year is still expected to be **£0.180m** lower than the budget of £2.059m in line with fewer places taken up overall than budgeted in the January 2017 pupil census. Expenditure for Private, Voluntary and Independent (PVI) settings is expected to be **£0.454m** below budget offset by Maintained setting expenditure which is expected to be **£0.274m** above budget.

The funding is based on the actual pupil numbers at the spring census 2017 (5/12ths) and spring census 2018 (7/12ths). The confirmed spring 2017 census numbers were lower than anticipated and are expected to be at a similar level in the spring 2018 census so the funding forecast has been recalculated. The ESFA will not confirm the funding until July 2018 so the actual funding expected for 2017-18 is an estimate. Funding for early years is now calculated on the number of part time equivalents rather than full time equivalents.

| Table 4 – Early Years 2 year old 2017-18 DSG Funding | | |
|---|-------------------|-----------------------|
| | 2017-18 Budget | 2017-18 Projection |
| January 2017 Census PTE (5/12) (confirmed) | 679 | 600.00 |
| January 2018 Census PTE (7/12) | 679 | 630.48 |
| Full Year Equivalent | 679 | 617.78 |
| 2 year old funding rate per PTE | £3,032.40 | £3,032.40 |
| Total DSG receivable | £2,059,000 | £1,873,349 |
| Variance | | (£185,651) |

The estimated net decrease in 2 year old pupils of 61.22 PTE will also result in a **£0.186m** reduction of DSG. These projections have been updated following the final Autumn Term payments and will be updated again at year end.

**Note 3 – Free nursery education (3 & 4 year olds): £0.389m Decreased expenditure
£0.380m Decreased funding**

As reported previously, the 2017-18 forecast position for 3 & 4 year olds is **£0.389m** lower than budget based on the confirmed spring 17 census take up. The expenditure in Maintained settings is expected to be **£0.126m** less than budget and in Private, Voluntary and Independent (PVI) settings the expenditure is expected to be **£0.263m** less than budget.

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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 PTE numbers were lower than budgeted in the recent spring census.

The budget for 3 & 4 year olds includes £1.351m for the 30 Hours Early Implementer scheme, the actual expenditure for this budget is currently expected to be in line with budget. The Pupil Premium expected to be paid through the 3 & 4 year olds budget is **£0.129m** and at this point in the year is also expected to be in line with budget.

The ESFA will not confirm the funding until July 2018 so the funding projection is still provisional. Early Years DSG is calculated based on 5/12ths of the confirmed January 2017 census and 7/12ths of the January 2018 Early Years Census. The latest DSG calculation compared to the 2017-18 budget agreed by Schools Forum is summarised below and is now on Part Time Equivalent (PTE).

| Table 5 – Early Years 3 and 4 year old 2017-18 DSG Funding | | |
|---|--------------------|--------------------|
| | 2017-18 Budget | 2017-18 Projection |
| January 2017 Census PTE (5/12) (confirmed) | 3,880 | 3,733.20 |
| January 2018 Census PTE (7/12) | 3,880 | 3,733.13 |
| Full Year Equivalent number of PTE | 3,880 | 3,7433.16 |
| 3 and 4 year old funding rate | £2,587.38 | £2,587.38 |
| Subtotal DSG receivable | £10,039,034 | £9,659,102 |
| Disability Access Fund | £55,300 | £55,300 |
| Total DSG receivable | £10,094,300 | £9,714,402 |
| Variance | | (£379,899) |

The estimated net decrease in early years' pupils of approximately 146.84 PTE will result in a **£0.380m** reduction of DSG. This forecast will be updated at year end.

Note 4 – High Needs Top ups:

£0.303m Pressure

The forecast for expenditure is now expected to be **£0.303m** above budget. There have been a number of adjustments to both the bandings and number of pupils supported in mainstream, a net decrease of £0.007m in HN top ups since last month.

Note 5 – External placements:

£0.100m Pressure

As reported previously the overall pressure in external placements is expected to be **£0.100m** and decisions about the share of costs are still being made.

Note 6 – High Needs Contingency:

£0.044m Pressure

During the 2017-18 budget setting process Schools Forum agreed that a contingency of £0.065m would be held to cover additional high need top up and external placements costs. **£0.109m** will be used to support a school in financial difficulty with Alternative Provision for some of its pupils and provide educational and leadership support. This means that a pressure of £0.044m will be reported and there is no remaining budget to offset the emerging pressures in high Needs Top ups £0.310m (note 4) and External Placement fees £0.100m (note 5). There is an overall pressure between the three budgets of £0.454m, and there continues to be inherent risks with these demand led budgets.

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Note 7 – Post 16 HN Provision:**£0.201m Below budget**

The forecast for Post 16 provision has updated now that the impact of the new academic year intake has been assessed and a favourable forecast position of **£0.201m** below budget has been projected. Following work to establish the destination for unconfirmed pupils the contingency has been reduced although a provision for 78 pupils whose destination is yet to be established has been retained.

Note 8 – School Exclusions:**£0.080m Below budget**

As reported previously during the previous academic year Swindon experienced a high rate of permanent exclusions and this has generated significantly higher levels of income than anticipated £0.130m, however short term placements are reducing (£0.050m), a net favourable forecast position of **£0.080m** below budget is projected.

Note 9 – Tuition Service:**£0.063m Below budget**

Saving as project commitment reduced from full to part year **£0.012m**, a reduction in demand for home tutors combined with staff leavers has increased favourable position by **£0.051m**.

Note 10 – Low risk budgets:**£0.053m Above Budget**

A new saving has been projected following the final Pupil Growth (Trigger Funding) payments **£0.056m** and has been added to savings in the pooled equipment budget **£0.019m** and other minor savings **£0.010m**. These savings are offset by pressures in Admissions **£0.003m**, and The Oakfield Project for the 2017/18 academic year **£0.120m** as agreed by Schools Forum. There has been a further increase in a pressure on Business Rates (NNDR) payable for nursery buildings that have been taken over by maintained schools **£0.015m**.

Note 11 – School Budgets (Mainstream):**£0.123m Below Budget**

The ESFA have confirmed the recoupment adjustment for pupil growth, a saving of **£0.123m**.

Note 12 – ESFA recoupment for academies and HN places:**£0.104m Pressure**

The ESFA have recouped Element 2 funding to pay directly to a High Needs setting, the LA was informed of this in March 2017 **£0.104m**.

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 forecast year end position incorporates agreement made at the March 2017 Schools Forum and is as follows:

| Table 6 – DSG Balance | Latest Position |
|--|------------------------|
| Opening DSG balance brought forward from 2016-17 | £0.568m |
| Less support to St Luke's School (Schools Forum July 2017) | (£0.022m) |
| Less forecast year-end position (see table 2) | (£0.127m) |
| Actual DSG balance unallocated | £0.419m |

At the 4th July Schools Forum meeting, the Schools Forum representatives agreed a one off use of £0.022m of the DSG brought forward balance to support St Luke's School.

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The Leadership Team is asked to note that the unallocated DSG balance is expected to be £0.181m 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

The table below shows a summary of the latest projected position of £0.413m across the £33.346m 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 January 2018

| Group Budget position by expenditure type | Year to date budget £'000 | Year to date actual £'000 | Year to date variance £'000 | Total Budget 2017/18 £'000 | Forecast Variance 2017/18 £'000 |
|---|------------------------------|------------------------------|--------------------------------|-------------------------------|------------------------------------|
| Employees | 1,310 | 1,234 | (76) | 1,571 | (63) |
| Premises | 1,049 | 1,045 | (4) | 1,098 | 15 |
| Transport | 11 | 10 | (1) | 13 | (1) |
| Supplies & Services | 1,076 | 1,923 | 847 | 1,374 | 717 |
| 3rd Party Payments | 27,019 | 26,142 | (876) | 35,043 | (634) |
| Internal Recharges | 1,902 | 1,889 | (13) | 1,938 | (11) |
| Capital Financing | 0 | 0 | 0 | 0 | 0 |
| Income | (6,452) | (5,968) | 484 | (7,691) | (436) |
| Total | 25,914 | 26,275 | 360 | 33,346 | (413) |

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

- **Annex A** – this shows a breakdown of all the 2017-18 retained budgets by type of expenditure and income and produces the totals in the “Total budget 2017-18” 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, meetings with senior Budget Managers will be scheduled through to the end of 2017-18 to take place shortly after the month end forecasting deadlines. This will enable all high risk forecast figures to be 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.

6) Summary of Key Recommendations

The Leadership Team is asked to:-

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- Note that the forecast out-turn position, which is a projection of £0.127m above budget, will be reported to Corporate Board this month
- Note the risk areas above, the forecast out-turn position and suggested actions
- Note the Schools Forum agreement to use £0.022m of DSG reserves to support one school
- Note that the unallocated DSG balance will be £0.419m.