

Report to: Commissioning – Economy & Attainment Leadership Team
 From: Steve Haley / Sarah Higgins
 Date: 10th December 2012
 Subject: **Retained DSG Revenue Monitoring Report 2012/2013**
 Period: Period to the end of November 2012

1) Background

Although the DSG position is included in Corporate Board and Cabinet reports it is unlikely that members will be overly concerned as this is outside the General Fund and is essentially an issue for the Head of Commissioning and his leadership team to manage in consultation with the Finance Team and Schools Forum.

At the 9th October 2012 Schools Forum meeting an update of the retained DSG position as at the end of August 2012 was provided showing an underspend of £1.007m.

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 was 90%, which is the same as for October (90%).

The Leadership Team is asked to remind their Budget Managers of the importance of this exercise and to encourage high participation for the remainder of the year.

3) High Risk Areas and Latest Projections

Commentaries on all the main variances identified to date and those areas of the budget, which are inherently high-risk, and therefore have the potential to significantly affect the budget, are provided below.

Item	Notes	Budget 2012/13 £'000	Projected Variance £'000	Projected Variance last month £'000
<u>High-Risk Areas</u>				
Early Years Single Funding Formula Payments	1	7,820	(622)	(626)
Special Education Needs Resource Assessment Panel	2	1,369	0	(49)
Recoupment		182	(24)	(1)
Out of Borough School Fees	3	2,868	52	46
Education Other Than at School	4	1,473	(38)	(63)
The Tuition Service	5	650	(16)	(13)
Pupil Growth- Set up Costs	6	70	93	(7)
Pupil Growth- Croft Set up Costs	7	300	60	0
Pupil Growth- Croft Start-up Costs	8	185	(74)	0
Pupil Growth- Trigger Funding	9	844	(159)	0
Academy LACSEG Recoupment	10	666	(385)	(385)
Total High Risk Areas		16,427	(1,113)	(1,098)

<u>Other Major Variances</u>				
Post 16 SEN Funding	11	(600)	(44)	(44)
Schools and Learning Interventions	12	185	(82)	(82)
Schools in Challenging Circumstances	13	332	(119)	(79)
Travellers Children	14	77	(14)	(15)
50% Contributions towards Equal pay costs	15	224	(90)	0
Total Major Variances		328	(351)	(220)
<u>Other Minor Variances</u>		1,731	(38)	(41)
TOTAL		18,376	(1,500)	(1,359)

At the end of November 2012 an overall net underspend of **£1.500m** has been forecast. The main variances contributing to this underspend are:

1. General underspends on **early years nursery placements** for 3 and 4 year olds continue to be projected. Projected spend is currently estimated at 92% of the budget resulting in an underspend of £0.622m. The main reason for this is that DSG funding is based on notional take up of 3 year olds whereas actual take up is lower.
2. Payments and commitments from the **SEN RAP budget** continue to be closely monitored allowing for a greater level of cost certainty. Reviews are currently underway regarding several potential high cost placements that may be agreed before the end of the final year resulting in the underspend reported in October 2012 of £0.049m being removed.
3. The latest projection for the **Out of Borough budget** has marginally worsened by £6k and an overspend of £0.052m is now projected.
4. The forecast underspend for **EOTAS** is now £0.038m mainly due to spend on teaching staffing being less than anticipated and an assumed inflationary increase on the cleaning contract will not materialize. Pupil numbers are currently lower than expected which has resulted in savings on home to school transport costs.
5. The **Tuition Service** is now forecasting an underspend of £0.016m. There are two main reasons for this:
 1. Two members of permanent teaching staff retired in August and temporary cover has been arranged at a lower cost. As pupil numbers increase through the academic year it is expected that one of the vacant posts will be refilled, this has been factored into projections.
 2. Income from schools for pupils accessing the service is higher than the original budget figure.
6. There is a projected overspend of ££0.093m on the school **set up costs** budget. Following discussions with the Headteacher of Haydonleigh primary school the LA has agreed to provide a total of £0.117m in set up funding which recognises both additional classes and infrastructure costs that will need to be incurred over the next few years. This has been paid in full with the agreement of the Headteacher in the current year to ease future pressure on the annual pupil growth budget.
7. **Croft school set up costs** - The White Horse Federation are assuming that £360,000 of funding will be provided which is £60k above the budget set by the LA. This level of spend has been projected although spending plans are currently being reviewed to assess the position. .

8. **Croft start-up costs** – Pre opening salary costs were originally estimated at £0.185m as presented to the Schools Forum on 6th March 2012. Following the opening of the school the actual funding required by the White Horse Federation was £0.111m resulting in an underspend of £0.074m.
9. Following the October 2012 PLASC the LA has completed the **trigger funding** calculations for expanding schools and general pupil growth figure above the levels defined in the funding policy. The budget is now expected to underspend by £0.159m although this may vary depending on the January PLASC increases. .
10. Slippage on the **Academy conversion** programme has reduced the in-year loss of grant that is recouped from the LA and paid over to the Education Funding Agency to fund Academy LACSEG (Local Authority Central Services Equivalent Grant) payments. In addition to general delays there are legal issues to resolve relating to three PFI schools which were expecting to convert earlier than will now be possible. The values per pupil have also been recalculated and reduced following successful representations to the DfE which has allowed certain elements of retained spending relating to pupil growth to be removed. This funding was set aside for specific settings experiencing pupil growth (set up costs and trigger funding) and after budget setting DfE acknowledged that Academies should not receive an automatic share of this budget. As a result of slippage and reduced LACSEG recovery rates a net underspend of £0.385 continues to be projected
11. To support the LA with its statutory responsibility to provide education support for **Post 16 SEN** pupils the LA receives an annual amount of funding from the EFA. , Funding for 2012-13 has been confirmed and is £0.044m higher than originally anticipated.
12. Due to the every child programmes ending, the **School and Learning Interventions** budget is expected to be underspent by £0.082m
13. The demand for schools being eligible for financial support from the **Schools in Challenging circumstances** budget is less than anticipated and an underspend of £0.119m is now projected
14. An underspend of £0.014m is projected for the **Travellers Children** budget following the service manager retiring. At the 9th October Schools Forum it was agreed that this funding should be delegated from 2013-14.
15. **Retained budget contributions towards Equal pay** have now been finalised for 2012-13 and an underspend of £0.090m is projected. The budget of £0.224m was based upon historic estimates of the annual 50% contribution to match school repayments which have been lower. The 2013-14 proposed budget has been reduced to reflect the reduced repayment figure.

Most other areas of the retained budget are broadly in line with the funding agreed by Schools Forum in March 2012 and although latest projections indicate that underspends are possible this could change before the year end. Any underspend across the retained DSG budget is ring fenced and will be automatically carried forward for use in future years.

Proposals on how and when to allocate the projected in year underspend of £1.5m together with £0.333m from previous years will be presented to the 15th January 2013 Schools Forum.

The Leadership Team is asked to note the risk areas above and the forecast out-turn position – a projected £1.500m underspend.

4) Chief Executive's Announcement

Reminders of the key issues arising from the 11th October 2012 announcement regarding the spending freeze are:

a) Staff pay and temporary staff

- New staffing appointments – all vacant posts are now frozen unless they have been signed off by Corporate Board. If an advert has already been placed then the recruitment can continue, but if this stage has not been reached the approval process through Corporate Board is required.
- Consultants, Temporary and Contract staff (including Pertemps) – no new engagements or extensions to existing arrangements should be entered into without the approval of Board Members. All Tier 2 Managers, with support from HR and Finance, should review existing contract staff arrangements in place within their teams and consider whether there is sufficient business justification for contracts to be continued.
- Honorarium and Pay Increases – in the rare cases where these are felt necessary, the existing sign off process through Tier 1 or 2 Managers plus Finance and HR colleagues continues.
- Overtime - The use of staff overtime should be minimized during this period.

Arrangements have been put in place to ensure staff within HR and Payroll are not processing changes without these new sign off processes being adhered to. Managers should use existing documentation used to approve staffing changes but include a signature on behalf of Corporate Board before sending the form to HR and Payroll.

b) Non-Essential Expenditure

- As well as restrictions around pay budgets, staff are also asked to restrict spending on activities that are not vital to the safe delivery of services and specific Member decisions. Any non-essential spending should be curbed until further notice and the Finance Team has been asked to monitor this.

5) Summary of Recommendations

The Leadership Team is asked to note:-

- ***The compliance rates relating to the on-line monitoring system set out in section 2 (90%) and to remind Budget Managers of their responsibilities in this area***
- ***The Projected Out-turn position as set out in Sections 3 which is that an in year underspend of approximately £1.5m is projected which, together with £0.333m from previous years, will be available for distribution to schools across the local formula in 2013/14 and 2014/15.***
- ***The implications of the Chief Executive's 11th October announcement as summarised in section 4.***