

Report to: **Commissioning – Economy and Attainment Leadership Team**  
 From: Sarah McCombe, Finance Manager – Education and Innovation  
 Date: 24<sup>th</sup> September 2013  
 Subject: **Budget Monitoring Report for September 2013 – DSG Services**  
 Period: Period to the end of August 2013

## **1) Background**

The Council's corporate budget monitoring timetable requires each Group to report its forecast outturn position each month. In addition to financial forecasts, information is also provided regarding Budget Manager participation in the on line forecasting process.

Although the DSG position is included in Corporate Board 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 Commissioning (Economy and Attainment) and his leadership team to manage in consultation with the Finance Team and Schools Forum

The DfE's school funding reform programme has required significant changes to be implemented in 2013/14 both relating to the formula by which delegated funding is allocated to schools and academies and in the management of the retained DSG budget. Funding to meet the costs of providing free nursery entitlement to disadvantaged 2 year olds (previously allocated to LAs as core funding within the Early Intervention Grant) has been transferred into the DSG from the start of this financial year. Furthermore the LA's role has been extended from September 2013 to include responsibility for the commissioning and funding of post 16 high need student places in FE Colleges and Independent Specialist Providers.

A summary of how the 2013/14 DSG has been allocated is provided below

	<u>£m</u>	<u>£m</u>
<b><u>Delegated</u></b>		
Mainstream schools & academies	109.7	
Specialist settings (Special Schools and SRP's)	7.6	
Alternative provision settings	1.2	118.5
<b><u>Retained for provision</u></b>		
Disadvantaged 2 year old nursery places	0.9	
Free Nursery Entitlement 3 & 4 year olds	7.5	
In Year Pupil Growth	0.6	
High Need SEN		
Portage, SEN equipment, Therapeutic services etc.	0.5	
SBC top ups – mainstream settings	2.0	
SBC top ups - high need specialist settings	8.7	
Tuition Service	0.9	
Out of Borough placements	3.1	
Post 16 provision (new responsibilities)	1.6	
Exclusions income	-0.2	25.6
<b><u>Centrally Retained</u></b>		
Admissions, Free School Meal eligibility checks, school licences, equal pay etc.	1.1	
2 year old funding earmarked to meet 3 <sup>rd</sup> term of new post 16 costs in 2014/15	0.4	1.5
<b>Total DSG Allocation</b>		<b>145.6</b>

The overall value of the 2013/14 retained budget is £27.1m which in cash terms is significantly higher than previous years, primarily as a consequence of school funding reform changes which require the LA to make monthly “top up” payments to schools and academies in respect of high needs pupils based on actual occupancy whereas this funding was delegated in previous years. New funding responsibilities for 2 year old nursery provision and post 16 high need education have also increased the value of the retained budget. The table illustrates that the majority of the retained budget is actually spent on provision.

It is important to recognise that the level of additional DSG funding provided to meet the new post 16 funding responsibilities is considerably less than the estimated costs of meeting demand. Although the July 2013 Schools Forum agreed to allocate additional funding (from early years) towards post 16 provision, students are still enrolling on college courses and final costs remain uncertain.

## **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 August completion rate was 92% compared with 94% for July.

**NB:** The average borough wide completion rate throughout 2012-13 was 73% whereas the rate for DSG budgets was 85%.

***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. At the 4<sup>th</sup> September 2013 Children and Young People Overview and Scrutiny meeting concern was raised that anything less than 100% compliance was a serious concern and the reasons for any gaps must be provided to future meetings.***

## **3) High Risk Areas and Latest Projections**

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

Item	Notes	Budget 2013/14 £'000	Projected Variance £'000	Projected Variance last month £'000
<b>High-Risk Areas</b>				
Disadvantaged two year old nursery funding	1	918	426	425
Free nursery education (3&4 year olds)	2	7,500	0	(27)
High Needs Top us (Mainstream settings)	3	2,025	5	0
High Needs Top ups (Specialist Settings)	4	8,665	(58)	(43)
External Placement Fees	5	3,063	(362)	(254)
Post 16 Provision- New Responsibilities	6	1,550	(314)	(100)
School Exclusions & Temporary Placements	7	(237)	(50)	(50)
Schools Equal Pay Claims		160	0	0
<b>Subtotal High Risk Areas</b>		<b>23,645</b>	<b>(353)</b>	<b>(49)</b>

Other Low risk retained budgets		2,993	(20)	0
Surplus two year old funding to meet post 16 term 3 2014-15		453	0	0
<b>Total Retained Budgets</b>		<b>27,091</b>	<b>(373)</b>	<b>(49)</b>

**The Leadership Team is asked to note the risk areas above and the forecast out-turn position which will be reported to Corporate Board and Schools Forum in October.**

At the end of August an overall underspend of £0.373m is projected, compared to £0.049m at the end of July. The main reasons for the underspend are provided below:

- 1. Disadvantaged Two year old funding-** Although initial estimates suggested an underspend the latest forecast show that the original calculations expected the take up of places to be far lower than is now anticipated following the change to eligibility criteria resulting in a projected overspend of £0.426m. (If this is not offset by underspends across this year's retained budget there is capacity to absorb this from next year's Disadvantaged 2 year old DSG allocation).
- 2. Free nursery education for 3 & 4 year olds –** Unlike schools block DSG funding which is fixed from the outset of the year, there is now an in year adjustment to 3 and 4 year old nursery funding. This is allocated by the DfE based on the January 2013 census (which provides 5/12 of 2013/14 annual funding) and the January 2014 census (which provides 7/12 of 2013/14 funding). Although current projections are that the budget of £7.500m will be underspent by £0.114m due to a marginal reduction in take up, it is likely that this will be offset by a reduction to DSG funding following the January 2014 revision - although this will not be an exact match. Whether a net under or overspend will arise will therefore be unclear until towards the year end and a nil variance is projected at this stage.
- 3. High Needs Top ups (Mainstream Settings) –** The latest projections indicate an overall pressure of £0.005m although further pressure may arise later in the year as a result of increased SEN pupil numbers and the new SENRAP policy whereby costed requests must be submitted to secure funding over and above the delegated notional budget of £10,000. When the budget was set in January a £0.100m contingency was included which has already been committed primarily due to increased spend on early years SEN pupils which is now expected to cost £0.150m in 2013-14. This follows a change to harmonise funding so that PVI settings are funded the same as school settings.
- 4. High Needs Top ups (Specialist Settings) –** In setting this budget the LA set aside £0.188m for additional places in special schools and SRP's, most of which has now been committed as latest projections indicate an overall underspend of £0.058m. This reflects net changes in placements at Specialist settings and includes the costs of some additional pupils which would otherwise have needed to be placed in out of borough provision.
- 5. External placements -** Based upon the latest information available regarding new packages and changes to placements since the budget was set in January an underspend of £0.362m is projected. This indicates that the LA's contingency provision of £0.345m for a net increase of 5 potential additional placements has not been required so far.

- 6. Post 16 New Responsibilities** - An underspend of £0.314m is currently projected mainly as a result of working with Independent Specialist Providers to reduce the cost of packages and through negotiating increased contributions from social care. This projection assumes that the full amount of funding set aside for unallocated college placements will still be fully utilised in 2013-14. There are currently 46 pupils where the college placement remains unconfirmed but this uncertainty should reduce over the next month following closure of the 6 week transition period where pupils are given the opportunity to finalise their chosen course / college.
- 7. Exclusions & Dual Registration Income** - Latest projections indicate that an additional £0.050m of income will be generated arising from higher levels of exclusions and dual registration funding being clawed back from schools and academies. This may however put pressure on the Tuition and EOTAS services later in the year when the financial implications of taking on additional pupils arises.

## **5) Summary of Recommendations**

### ***The Leadership Team is asked to note:-***

- The compliance rates for use of the on-line monitoring system set out in Section 2 and to remind Budget Managers of their responsibilities in this area – including the requirement to explain non-compliance to future CYPOS meetings.
- The Projected Out-turn set out in Section 3 which will be reported on to Corporate Board with updates provided to Schools Forum throughout the year and the risks attached to management of the retained DSG budget
- The importance of monitoring changes in demand within the early years block, particularly with three & four years olds as funding is directly linked to the number of pupils in early year's settings when the January census is completed. Peaks and troughs in take up need to be very carefully monitored so that under or underspends can be calculated.
- The risk associated with the projections for High needs budgets given that the outcomes of the moderation exercise are unknown at this stage. The finance team will need to work with the SEN Team to ensure robust projections are provided in future months.
- That further work to track high need pupil movements and placements would assist future budget setting and monitoring