

Report to: **Commissioning – Economy and Attainment Leadership Team**  
 From: Sarah McCombe, Finance Manager – Education and Innovation  
 Date: 17th December 2013  
 Subject: **Budget Monitoring Report for November 2013 – DSG Services**  
 Period: Period to the end of November 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>
<u>Delegated</u>		
Mainstream schools & academies	109.7	
Specialist settings (Special Schools and SRP's)	8.1	
Alternative provision settings	1.2	119.0
<u>Retained for provision</u>		
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	1.8	
SBC top ups - high need specialist settings	8.4	
Tuition Service	0.9	
Out of Borough placements	3.1	
Post 16 provision (new responsibilities)	1.6	
Exclusions income	-0.2	25.1
<u>Centrally Retained</u>		
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
Total DSG Allocation		145.6

The value of the 2013/14 retained budget is £26.7m 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 needs 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 October 2013 Schools Forum agreed to continue allocating additional funding (from early years) towards post 19 provision, students are still enrolling on college courses and final costs remain uncertain, there are currently 44 potential high need pupils yet to enrol.

## **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 84% compared with 100% for October.

***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 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><u>High-Risk Areas</u></b>				
Disadvantaged two year old nursery funding	1	918	318	312
Free nursery education (3&4 year olds)	2	7,500	(79)	(110)
High Needs Top ups (Mainstream Settings)	3	1,580	159	67
High Needs Top ups (Specialist Settings)	4	8,403	81	91
Notional SEN	5	257	67	0
External Placement Fees	6	3,063	(211)	(258)
Post 16 Provision- New Responsibilities	7	1,550	(313)	(287)
School Exclusions / Dual registrations	8	(237)	(306)	(214)
Tuition Service	9	903	30	35
Schools Equal Pay Claims		160	0	0
<b>Subtotal High Risk Areas</b>		<b>24,098</b>	<b>(255)</b>	<b>(364)</b>
Other Low risk retained budgets	10	2,026	4	(44)
Surplus two year old funding to meet post 16 term 3 costs in 2014-15		453	0	0
General DSG 2013/14 unallocated surplus		67	(67)	0
<b>Total Retained Budgets</b>		<b>26,643</b>	<b>(318)</b>	<b>(408)</b>

School Budgets Mainstream		110,639	0	0
Temporary Primary BPPE Funding		(900)	0	0
School Budgets (Specialist Settings)		9,447	0	0
<b>Total Delegated Funding</b>		<b>119,186</b>	<b>0</b>	<b>0</b>
<b>DSG Funding Allocation</b>	2	(145,554)	79	106
EfA SEN Sixth Form Place Funding		(381)	0	0
<b>Total DSG</b>		<b>0</b>	<b>(242)</b>	<b>(302)</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 January.**

At the end of November an underspend of **£0.242** m is projected on DSG budgets, compared to an underspend of £0.302m for October. The main reasons for the underspend are provided below:

**Note 1- Disadvantaged Two year old funding-** The overall level of take up is still expected to be higher than the initial estimate made earlier in the year when the budget was set but projections are now stable.

**Note 2- Free nursery education for 3&4 year olds** - This budget forms part of the Early years Block where DSG funding is paid by the DfE based upon take up as recorded on the January PLASC (2013 & 2014). The budget of £7.500m allocated for 3 & 4 year olds was based upon the October PLASC as was the overall DSG income estimate for 2013-14. It is likely therefore that any underspend identified against this budget will be offset with a corresponding reduction in DSG funding. The current underspend and potential loss of grant is expected to be £0.079m.

**Note 3- High Needs Top ups (Mainstream Settings)** – The latest projections indicate a pressure of £0.159m which is made up of £0.077m for early years and of £0.082m for mainstream primary & secondary settings. This reflects additional funding commitments agreed via the SEN Panel to support pupils in mainstream settings.

**Note 4- High Needs Top ups (Specialist Settings)** - Latest projections indicate a pressure of £0.081m. This reflects commissioning decisions to place SEN pupils at Swindon specialist settings. By utilising places at Swindon's special schools the LA has been able to reduce pressure on the external placement budget.

**Note 5 – Notional SEN** – Under the school funding reform programme LAs are required to ensure all mainstream schools receive sufficient funding to meet the first £6,000 of additional costs incurred relating to their SEN pupils. The LA allocated additional funding in April based on the number of statemented pupils in each setting and this was recalculated following the October census resulting in further payments of £0.067m being made to some schools.

**Note 6- External placements-** Based upon the latest information available regarding new packages and changes to placements an underspend of £0.211m is projected compared to £0.258m for October. The external placements budget supports both pre 16 (£2.141m) and post 16 (£0.922m) placements. The projected underspend has reduced by £0.048m in November this is as a result of revised packages being agreed although the overall placement budget continues to underspend due to placements being made within Swindon provision.

**Note 7- Post 16 New Responsibilities-** An underspend of £0.313m is currently projected which is made up of £0.161m against the ISP budget and £0.152m against the FE college

budgets. There are currently 44 pupils where the college placement remains unconfirmed for which contingency funding is being retained and the position will continue to be monitored.

**Note 8- Exclusions & Dual Registration Income-** Latest projections indicate that an additional £0.306m of income will be generated as a result of the LA recovering pupil based funding from schools arising from exclusions and dual registrations which now include the Pupil Premium. A review is currently being completed to track pupil movements to fully understand the impact of these changes on other DSG service areas such as EOTAS and the Tuition Service. The review will also identify whether there has been a significant increase in exclusions/dual registered placements that is not in line with historic trends and LA assumptions. This will support the LA in setting a more accurate 2014-15 budget.

**Note 9- Tuition Service** – A pressure of £0.030m is expected within the tuition service budget mainly as a result of the following:

- A place has been purchased at the Oakfield project for a pupil that has moved into Swindon, costing £0.010m.
- A child at risk of being placed Out of Borough has been placed in the Tuition service. To support the placement the Tuition Service have had to purchase Independent Psychological services costing £0.015m for the period September to March.
- Estimated costs of £0.012m for additional tutors required to educate 4 pupils excluded from St Luke's from September to March.
- An overspend of £0.028m in the supply staff budget largely as a result of cover for a teacher on long term sickness absence..
- The pressure has been partly offset via the cessation of the "Include" project earlier than anticipated resulting in savings of £0.031m

**Note 10 – Low Risk Areas** – Latest projections indicate that an overall underspend of £0.004m is expected.

Funding for pupil growth is currently included under "Low Risk Budget Areas" and currently a nil variance is expected against the original budget although this may change following receipt of the October 13 PLASC data where actual pupil numbers will drive the final funding paid to schools.

In addition the LA has recently received a request for clarity around whether the policy should fund the net pupil increase across the whole school or just the increase in the planned expansion class. The LA is currently preparing a response which, could result in additional funding being paid to schools.

## **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. The leadership team is asked to remind Budget Managers of their responsibilities to ensure projections are reviewed as well as confirmed. Budget managers are reminded that projections can be confirmed throughout the month.
- Note the requirement for budget managers to provide narrative when reviewing the monthly projections. The narrative should seek to explain the estimated financial position and confirm whether a change has occurred. The narrative should explain what has driven the change and what the potential impact of the change may be on other E&A / LA / other services.

- Note 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. (The next update will be presented to the January 2014 Schools Forum).
- Note the risks attached to management of the retained DSG budget.
- Note the importance of increasing 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 PLASC is completed.
- Note the importance of tracking pupil movements to enable the impact on the overall DSG budget position to be understood. As the projections indicate in Section 3 where new placements are made in one area resulting in increased costs there may be a corresponding saving in another. Based upon November's projections it is not clear whether the impact of pupil movements has created a corresponding cost / saving overall.