

Report to: **Commissioning – Economy and Attainment Leadership Team**  
 From: Stephen Scarff, Finance Manager – Education and Innovation  
 Date: 21st February 2014  
 Subject: **Budget Monitoring Report – DSG Services**  
 Period: Based on information as at the end of January 2014

## **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. A new table has been added this month to track the DSG balance that must be carried forward at each year end and reported to the Schools Forum.

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

**Table 1 – DSG 2013/14 Overview**

	<u>£m</u>	<u>£m</u>
<b><u>Delegated</u></b>		
Mainstream schools & academies	109.7	
Specialist settings (Special Schools and SRP's)	8.1	
Alternative provision settings	1.2	119.0
<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	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
<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>

## **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 was 93% compared with 95% for December.

*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.

<b><u>Table 2 – Latest Budget Monitoring Position</u></b>				
<b>Item</b>	<b>Notes</b>	<b>Budget 2013/14 £'000</b>	<b>Projected Variance this month £'000</b>	<b>Projected Variance last month £'000</b>
<b><u>High-Risk Areas</u></b>				
Disadvantaged two year old nursery funding	1	918	217	318
Free nursery education (3&4 year olds)	2	7,500	(159)	(79)
High Needs Top ups (Mainstream)	3	1,580	190	159
High Needs Top ups (Specialist)	4	8,403	79	81
Notional SEN supplements (Mainstream)	5	257	67	67
External Placement Fees	6	3,063	(227)	(211)
Post 16 HN Provision - New Responsibilities	7	1,550	(341)	(313)
School Exclusions / Dual registrations	8	(237)	(306)	(306)
Tuition Service	9	903	30	30
Schools Equal Pay Claims		160	0	0
<b>Subtotal High Risk Areas</b>		<b>24,098</b>	<b>(450)</b>	<b>(255)</b>
Set up Costs payable to schools	10	45	174	0
Less costs of advanced payments funded from DSG balance	10		(174)	0
Trigger Funding payable to schools	11	620	(74)	0
Surplus two year old funding to meet post 16 term 3 costs in 2014-15	12	453	0	0
General DSG 2013/14 unallocated surplus		64	(64)	(67)
Other Low risk retained budgets	13	1,361	(103)	4
<b>Total Retained Budgets</b>		<b>26,641</b>	<b>(691)</b>	<b>(318)</b>
School Budgets Mainstream		109,739	900	0
Less costs of Temporary Primary BPPE Funding funded from DSG balance			(900)	0
School Budgets (Specialist Settings)		9,447	0	0
<b>Total DSG Budgets</b>		<b>145,826</b>	<b>(691)</b>	<b>(318)</b>
DSG Funding Allocation	2	(145,446)	159	79
EfA SEN Sixth Form Place Funding		(380)	0	0
<b>Total DSG</b>		<b>0</b>	<b>(532)</b>	<b>(242)</b>

The overall DSG position is improved as the LA is now projecting a net underspend of £0.532m against the agreed 2013/14 budget which will be reflected in a higher DSG balance being carried forward for use in future years. This is £0.290m higher than the figure reported to the January 2014 Schools Forum.

**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 March.**

The main reasons for the under spend are provided below:

**Note 1 - Disadvantaged Two year old funding-** This budget reflects an overspend of £0.217m, an improvement of £0.101m compared with previous projection. This is due to the overall pupil numbers being approximately 113 less than anticipated for the spring term resulting in a reduced overspend.

**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). It is likely therefore that any underspend identified against this budget may be offset with a corresponding reduction in DSG funding. The current underspend and potential loss of grant is expected to be £0.159m as numbers for the spring term are lower than anticipated.

**Note 3 - High Needs Top ups (Mainstream Settings)** – The latest projections indicate a pressure of £0.190m which is made up of £0.108m 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 £0.079m which 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 spending 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 unexpectedly high 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 under spend of £0.227m is projected. The external placements budget supports both pre 16 (£2.141m) and post 16 (£0.922m) placements. The projected underspend is as a result of revised packages being agreed and the overall placement budget continues to underspend due to placements being made within Swindon provision.

**Note 7 - Post 16 HN New Responsibilities-** An underspend of £0.341m is currently projected compared with a December underspend of £0.313m against the enhanced budget following the agreed transfer of disadvantaged 2 year old funding. The additional saving is as a result of lower level of funding requirements for two pupils

(£0.040m) countered by additional FE College placement funding for an additional pupil. There are currently 41 pupils where the college placement remains unconfirmed of which the LA anticipates that 18 will commence programmes before the financial year end. Contingency funding of £49,200 is being retained to cover potential costs of these students and the position will continue to be monitored. As part of the raising participation age strategy the LA is working with agencies, parents and students to encourage learning.

**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 by Nigel Pickering 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 and will support the LA in setting more accurate budgets.

**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 was 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 over spend 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 – Set Up Costs** – Funding for pupil growth set up costs has previously been included under "Low Risk Budget Areas" as payments are generally in line with the budget agreed by Schools forum at the start of the year. However in addition to this year's planned payments at the 21<sup>st</sup> January 2014 Forum meeting the LA proposal to pay set up costs in advance to Even Swindon (£0.093m) and Orchid Vale (£0.081m) was supported on the basis that the costs of £0.174m could be met from the DSG balance.

**Note 11 – Trigger Funding** - Funding for pupil growth trigger funding is usually a low risk area as payments are generally in line with LA estimates. Schools Forum agreed a policy change in January which resulted in relatively minor additional payments to those schools where expanded reception classes had fewer than 21 pupils. Following a query raised by the school bursar at Oakhurst a review of the trigger funding estimates presented to the Schools Forum identified a flaw in the LAs calculations of both Oakhurst and East Wichel (the two schools which opened on an all through basis). This prevented substantial overpayments being made and a net underspend of £0.074m will occur. A full review of the calculation methodology has been undertaken.

**Note 12 – Surplus 2 year old funding** – During consideration of the post 16 high needs funding shortfall in July the Schools Forum were advised that the LAs initial estimates were that costs in the 2013/14 academic year would exceed the funding available by £1.1m of which approximately £0.453m would fall in the third term i.e. during the 2014/15 financial year. It was agreed that the projected overspend would be met by diverting disadvantaged 2 year old nursery funding as follows;

- The 2013/14 post 16 high needs budget was increased by £0.614m
- Funding of £0.453m was set aside to be used in 2014/15

Since July actual post 16 costs have proven less than originally anticipated although they are still in excess of the post 16 funding that was allocated by the DfE.

**Note 13 – Other low risk areas** – Across all other areas of the retained budget spending is mostly in line with estimates. Following a review of the Oakfield Project finances the LA has negotiated and received backdated contributions towards rent, rates and utility costs which has resulted in an unexpected underspend of £0.054m. Other minor savings are projected on school subscription licenses, admissions and FSM administration.

## **5) 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 latest position compared to the position reported at the 21<sup>st</sup> January 2014 Schools Forum is as follows;

<b><u>Table 3 – DSG Balance Position</u></b>		
	Latest Position	21 <sup>st</sup> Jan 2014 Schools Forum Position
<b>Opening DSG balance bfwf from 2012/13</b>	<b>£2.150m</b>	<b>£2.150m</b>
Less – Primary £54.77 BPPE increase paid in 2013/14	-£0.900m	-£0.900m
Less – EOTAS agreed retention of their surplus for science lab development	-£0.067m	-£0.067m
Less – Trade Union Release time	-£0.023m	-£0.023m
Add – Surplus 2 year old funding set aside to meet estimated term 3 post 16 overspend	+£0.453m	+£0.453m
Less – advance payment of set up funding for Orchid Vale and Even Swindon	-0.174m	-£0.174m
Add – projected in year surplus (see table 2)	+£532m	+£0.242m
Projected DSG balance to be cfwf from 2013/14		
<b>Projected DSG balance cfwf from 2013/14</b>	<b>£1.971m</b>	<b>£1.681m</b>
Less – Primary £54.77 BPPE increase payable in 2014/15	-£0.970m	-£0.970m
<b>Projected DSG balance unallocated</b>	<b>£1.001m</b>	<b>£0.711m</b>

## **6) Summary of Recommendations**

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

- Note the compliance rates for 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 and that compliance rates are being monitored by the Children and Young people Overview and Scrutiny Committee.
- Note the requirement for budget managers to provide narratives when reviewing the monthly projections which explain the estimated financial position with a focus on significant changes. Narratives should explain what has driven the change and what the potential impact of the change may be on other E&A / LA / other services. An extract from the end of January reports is attached.
- Note the projected out-turn position as summarised in Section 3 and the latest DSG balance forecast as shown at section 5 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 March 2014 Schools Forum).
- Note the risks attached to management of the retained DSG budget including the importance of monitoring increasing demand within the early years block, particularly three & four years olds, as the level of DSG funding is directly linked to the number of pupils in early year's settings when the January PLASC is completed.