

# Final Dedicated Schools Grant Outturn 2013-14

Schools Forum

Date: 8<sup>th</sup> July 2014

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Author:	Finance Manager – Education and Innovation
Wards:	All
Locality Affected:	All
Settings Affected:	As the DSG is ring fenced funding provided by the DfE to meet the educational needs of early years, school age and all 0 to 25 year old high need pupils, any decisions on how the grant is utilised indirectly affects all settings.

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## 1. Purpose and Reasons

- 1.1 To advise Schools Forum members on the final 2013/14 Dedicated Schools Grant (DSG) outturn position following closure of the Local Authority's (LA's) 2013/14 final accounts.
- 1.2 This report provides Forum Members with information on the final spend against the 2013/14 centrally retained budget including commentaries on those areas of the budget where forecast figures proved to be inaccurate. Although there is demand-led pressure in many areas of the retained budget the LA is continuing to take action wherever possible to reduce centrally retained budgets in order to maximise the value of DSG that can be distributed to Schools and Academies via the local fair funding formula.
- 1.3 The retained DSG budget is monitored in accordance with standard Swindon Borough Council (SBC) budgetary control procedures and a report is submitted to the Economy and Attainment Leadership Team each month. Updates are also periodically provided to Corporate Board, Cabinet and the Children and Young Peoples Overview and Scrutiny Committee.
- 1.4 The LA is required to report the position on the DSG budget to the Schools Forum throughout the year and at the financial year end. In accordance with grant conditions, the year-end DSG balance (whether positive or negative) is ring-fenced and must be carried forward to the following year and the Schools Forum must be consulted on how the surplus or deficit is managed.

## 2. Recommendations

The Schools Forum is recommended to:

- 2.1 Note that the final outturn on the 2013/14 centrally retained DSG budget was an underspend of **£1.031m**.
  - 2.2 Note that after taking account of the brought forward balance, in-year underspend and allocations of funding previously agreed by the Schools Forum the total DSG balance available for redistribution as at 31<sup>st</sup> March 2014 was **£2.470m**.
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Further information on the subject of this report can be obtained from Steve Haley on 01793 465794 or shaley@swindon.gov.uk.

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- 2.3 Note that after taking account of agreed commitments the uncommitted balance is currently **£1.413m**.

## 3. Detail

### Final Outturn Position 2013/14

- 3.1 At the 11<sup>th</sup> March 2014 Schools Forum meeting members were advised that the LA anticipated finishing the 2013/14 financial year with an overall surplus of £1.971m. This included a projected in year underspend of £0.532m. The final position is £0.499m higher than was expected. .
- 3.2 Attached at **Annex A** is the report issued to the Economy and Attainment Leadership Team on 11th June which provides commentaries on all the main under and overspends. There were 3 areas of the centrally retained budget where final spend varied significantly to the end of January projections and LA officers have reviewed the reasons for these differences. Fortunately the overall impact is positive in that underspends rather than overspends have occurred but it is important that budgets are managed effectively and that forecasts are as reliable as possible. The three areas which proved inaccurate are as follows

<b><u>Table 1 – Summary of Areas of Inaccurate Forecasting during 2013/14</u></b>				
	Budget	End of November Forecast Underspend	End of January Forecast Underspend	Final Underspend
External placements	£3.063m	-£0.211m	-£0.227m	-£0.450m
% variance		-6.9%	-7.4%	-14.7%
Post 16 High Need non schools (new responsibilities)	£1.550m	-£0.313m	-£0.341m	-£0.462m
% variance		-20.2%	-22.0%	-29.8%
Early Years 3 and 4 Yrs DSG	£7.842m.	-£0.079m	-£0.159m	+£0.197m
% variance		-1.0%	-2.0%	+2.5%
Early Years 4 and 4 yrs costs	£7.500m	-£0.079m	-£0.159m	-£0.088m
% variance		-1.0%	-2.1%	-1.2%

- 3.3 Explanations of how and why the underspends were not accurately predicted including corrective actions to be taken to improve this are provided below

**External placements** – Rates set by Wiltshire County Council for High Needs Pupils attending their mainstream schools and special schools, where we fund the top up, were agreed by Wiltshire SF in October 2013

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but not confirmed until February 2014 and backdated to April 2013. This represented a change in projection for the whole 2013/14 financial year of £0.2m and could not have been projected at the new rates before we had received them. The impact of this change was made apparent in the last quarter of the financial year. LA Officers are working closely with Wiltshire for 2014/15 rates.

A £0.03m reduction in the projection between January and March against independent school placements is due to a change of one placement. The initial projection took in to account an increased contribution from Education due to the new placement being a higher cost however a negotiated contribution from Health and Social care resulted in this projection being revised in February 2014.

- **Post 16 Non Schools** – The difference between January and March for post 16 new responsibilities relates to four areas:
  - 1) The contingency for the outstanding applicant pupils was overstated in the January Monthly monitoring. This was because predictions for 18 High Needs pupils who were likely to start courses starting in January 2014 were not realised despite continued efforts to place these pupils. This was a total of £0.068m between January and March 2014.
  - 2) ISP costs were reduced by £0.064m where provision to pay Element 2 for pupils at ISP providers above the capped allocation in the High Needs Return was subsequently unexpectedly paid directly to providers by the EFA. Although the LA was aware that the ISP providers were not charging for the Element 2 during the academic year, the LA was cautious about this. The EFA did not confirm that this was accurate until March 2014 and therefore the projection could not be adjusted until the very end of the financial year.
  - 3) ISP costs for one learner were reduced by £0.039m during the Jan – March period due to a placement breakdown which could not have been predicted.
  - 4) The projected income from Health and Social care reduced between January and March by £0.049m. We could not project this reduction in January as a residential element of a one placement come to an end in December without notification from the provider until March and therefore this could not be projected in January.
- **Early Years 3 and 4 year old DSG Funding** – Forum Members may recall that the calculation of this element of DSG was determined in advance by DfE up to 2012/13 and was fixed regardless of actual take up. From 2013/14 LAs were advised that this would change to be based on participation as measured by the January 2013 early years census (5/12)

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and January 2014 early years census (7/12). This grant therefore changed from being fixed to variable requiring the LA to calculate its own estimate of annual funding. For 2013/14 the LA estimated that the Early Years FTE for the year would be 2,017 to give a DSG value of £7.842m

- After setting the budget the LA had since adjusted its month end forecasting to mirror the projected spending position on the basis that an underspend on early years provision would in all likelihood be offset by a corresponding reduction in early years DSG funding. For example an underspend of £79,000 on provision at the end of November was matched by an assumed matching drop in DSG.
- However when the January 2014 early years census information became available in mid- February (although still subject to DfE verification) this showed that the early year's census FTE count for 2013/14 was actually 2,068. This demonstrates that the LA's assumption was, with hindsight, flawed as, despite a slight year end underspend on costs of £88,000 the LA will actually receive additional DSG of £197,000. This represents a swing of £356,000 between the end of January forecast when a shortfall in DSG of £159,000 was assumed.
- In light of the outturn position the LA has looked at trends in take up and it is clear that participation in January is relatively high compared to other times in the year and there is no direct correlation between annual spending and annual funding. From the start of 2014/15 the LA will be asking each setting to estimate their own January census numbers in advance although this is going to be difficult. The LA was only 2.5% out on its estimate but this equated to £197,000.
- The importance of the January census on Swindon's early years DSG is therefore significant although there is no direct impact on providers. Providers are funded based on actual take up throughout the year and the January census is irrelevant to their funding. The LA is therefore considering whether we can take steps to incentivise take up by
  - Boosting pre Christmas nursery numbers
  - Boosting attendance on the Early years census dates via funding rising 3's subject to further investigation.
  - Often pre-schools like the children to attend the term they turn three and if they are unable to pay then the places may have been taken by children accessing additional hours, thus less places available for funded children.

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- The requirement to offer financial incentives is restricted as the LA is required to operate a single funding formula which uses hourly rates plus quality and disadvantaged supplements. However if all settings did collectively boost take up it could be possible to fund an inflationary increase to early years funding rates. Schools and other early years providers are free to use their funding to offer incentives (such as free meals) and the LA will be writing to them emphasising the importance of the January 2015 census. DfE have strongly indicated that disadvantaged 2 year old funding is likely to be based on census information from 2015/16 onwards.

- 3.4 In accordance with grant conditions the year end DSG balance was carried forward and Table 3 in Annex A shows the current position reflecting costs that have already been agreed by Schools Forum (a second year of primary BPPE increases and the payment of double top up costs for the new Ridgeway ASC unit) or are earmarked as potential costs subject to business cases (Redoaks SRP alternations - see separate report) to leave an unallocated balance of £1.413m. Elsewhere on today's agenda Forum members are asked to consider whether a substantial part of the DSG balance (£0.7m) should be used to pay off equal pay liabilities which would leave £0.7m as a general contingency to cover overspends arising from additional high need pupils etc.

**Schools Forum is asked to note that the final position on the 2013/14 retained budget was an in year underspend of £1.031m, the final DSG balance carried forward at the year-end was £2.470m and the current uncommitted balance is £1.413m.**

## 4. Alternative Options

- 4.1 The LA could distribute the full value of the retained underspend in 2014/15 but an equitable method for allocation would need to be agreed which complied with the new school finance regulations. Furthermore use of the DSG balance can only really be on one off items and it is difficult to allocate this via the local formula without locking in commitments via the MFG mechanism.

## 5. Implications, Diversity Impact Assessment and Risk Management

### Financial and Procurement Implications

- 5.1 Various financial implications are included in this report relating to management of the retained DSG budget

### Legal and Human Rights Implications

- 5.2 There are no legal or human rights implications arising from this report.

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## All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 This report does not make any recommendations that affect these areas.

## Links to One Swindon, Plans and Policies

- 5.4 Utilisation of the DSG has a direct link to two of the Council's five priorities – "Right skills, right jobs in the right place" and "Make the best use of Swindon's resources inside and outside the Council".

## Diversity Impact Assessment

- 5.5 As there are no proposals in this report, a DIA has not been completed.

## Risk Management

- 5.6 There are no specific risk management implications not highlighted in the body of the report.

## **6. Consultees**

- 6.1 The Board Director Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 Annex A –Dedicated Schools Grant Final 2013-14 Outturn report issued to the Economy and Attainment Leadership Team on 11<sup>th</sup> June 2014