

Report to: **Commissioning – Economy and Attainment Leadership Team**
 From: Stephen Scarff, Finance Manager – Education and Innovation
 Date: 11th June 2014
 Subject: **Budget Monitoring Report – DSG Services**
 Period: 2013/14 Final Outturn

1) Background

The Council's corporate budget monitoring timetable requires each Group to report its forecast outturn position each month. 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.

2) High Risk Areas and Final Outturn Variances

The table below shows the final outturn and commentaries on all the main variances are provided;

<u>Table 1– Final Outturn Position</u>				
Item	Notes	Budget 2013/14 £'000	Final 2013/14 Variance £'000	Projected Variance last month £'000
<u>High-Risk Areas</u>				
Disadvantaged 2 year old nursery funding	1	918	265	217
Free nursery education (3 & 4 year olds)	2	7,500	(88)	(159)
High Needs Top ups (Mainstream)	3	1,580	178	190
High Needs Top ups (Specialist)	4	8,403	97	79
Notional SEN supplements (Mainstream)	5	257	67	67
External Placement Fees	6	3,063	(450)	(227)
Post 16 HN Provision - New Responsibilities	7	1,550	(462)	(341)
School Exclusions / Dual registrations	8	(237)	(272)	(306)
Tuition Service	9	903	28	30
Schools Equal Pay Claims	10	160	9	0
Subtotal High Risk Areas		24,098	(628)	(450)
Set up Costs payable to schools	11	45	174	174
Less costs of advanced payments funded from DSG balance		0	(174)	(174)
Trigger Funding payable to schools	12	620	(74)	(74)
Surplus two year old funding earmarked to meet projected post 16 term 3 overspend in 2014-15	13	453	0	0
General DSG 2013/14 unallocated surplus		64	(64)	(64)
Central funding of trade union release time	14	0	23	
Less funding from DSG balance		0	(23)	
Other Low risk retained budgets	15	1,361	(35)	(103)
Recoupment	16	0	(33)	0
Total Retained Budgets		26,641	(834)	(691)
Delegated School Budgets (Mainstream)		109,739	900	900
Less costs of Temporary Primary BPPE Funding funded from DSG balance			(900)	(900)

Delegated School Budgets (Specialist)		9,447	0	0
Total DSG Budgets		145,826	(834)	(691)
DSG Funding Allocations	2	(145,446)	(197)	159
EfA SEN Sixth Form Place Funding		(380)	0	0
Total DSG		0	(1,031)	(532)

The overall DSG position is therefore improved as the LA achieved a net underspend of **£1.031m** against the agreed 2013/14 centrally retained budget which is reflected in a higher DSG balance being carried forward for use in future years. An analysis of this balance which is £0.499m higher than the figure reported to the March 2014 Schools Forum is shown in table 2.

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

Commentaries on the main reasons for the under spend are provided below:

Note 1 - Disadvantaged Two year old funding- The over spend at the end of March was **£0.265m** although it is relevant to recognise that this budget originally included extra trajectory building funding to meet increased take up targets set by DfE. The 2 year old budget was reduced by £1m at the start of the year to provide funds for a projected overspend on post 16 post schools high need spending. Actual 2 year old spending was therefore lower than the DfE allocation. This was the first year of 2 year old growth funding and demand and spending proved difficult to forecast.

Initial projections assumed that all children would start nursery on their 2nd birthday and would take up their full entitlement of available hours. In reality children didn't take up their full entitlement and there were large fluctuations during each term with spring having the lowest take up. For future planning, the LA now has a complete cycle of data and has incorporated these assumptions into 2014/15 budget plans.

Note 2 - Free nursery education for 3&4 year olds – Despite final year end spending being slightly below budget (**£0.088m**) the Early Years DSG receivable is now estimated to be **£0.197m** higher than budget as there was a substantial increase in the January census between 2013 and 2014. Throughout the latter part of the year the LA had forecast the underspend with reasonable accuracy but had wrongly assumed that this would be recognised in a low January 2014 census and therefore would have been offset by reduced DSG funding. (The previous report identified a £0.159m projected underspend being matched by a corresponding £0.159m DSG reduction). Based on the final 2013/14 information (subject to DfE verification and external audit) the LA has both underspent and will receive higher funding illustrating that there is no firm correlation between spending and funding. Officers will need to review this with a view to improving DSG forecasting in future years.

Note 3 - High Needs Top ups (Mainstream Settings) – The year end position shows a final overspend of **£0.178m** which is made up of £0.098m for early years and of £0.080m for mainstream primary & secondary settings. This reflects additional funding commitments agreed via the SEN Resource Allocation Panel.

Note 4 - High Needs Top ups (Specialist Settings) – The final overspend of **£0.097m** reflects commissioning decisions to place more 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 (see note 6). Expenditure in February included £14,300 paid for additional BSL training at the Redoaks HI SRP as agreed by Schools Forum in July.

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. This resulted in further unexpectedly high payments of **£0.067m** being made to some schools which had increased numbers of statemented pupils between October 2012 and October 2013.

Note 6 - External placements- The original budget included a contingency of £0.414m for additional pre and post 16 placements based on previous year trends. The actual underspend against budget of **£0.450m** is as a result of increasing provision in specialist settings within Swindon (see note 4) made possible by developing bespoke packages in line with policy to reduce external placements for both education and social care. In addition a number of placements broke down and were placed at Uplands on the Learning Mentor Program. Officers will need to review this with a view to improving DSG forecasting in future years.

Note 7 - Post 16 HN New Responsibilities - A final underspend of **£0.462m** occurred which shows that only 70% of the budget (which had been enhanced by £0.614m at the start of the year following the agreed transfer of disadvantaged 2 year old funding) was actually spent.

Savings of £0.213m occurred on Independent Specialist Provider budgets as a result of planned places not being required due to packages being developed within borough plus an additional £0.064m where provision to pay Element 2 for pupils was subsequently unexpectedly paid directly to providers by the EFA. In addition a £0.166m provision in the FE college budget for 41 identified HN students whose placements were not realised was unspent. Officers will need to review this with a view to improving forecasting in future years.

Note 8- Exclusions & Dual Registration Income- Final numbers indicate that **£0.272m** of income was generated above the expected budget as a result of the LA recovering higher pupil based funding from schools arising from exclusions and dual registrations which now include the Pupil Premium. This is a £0.034m reduction from the last reported position due to a reduction in short term placements which are harder to predict.

Note 9 - Tuition Service – An overspend of **£0.028m** against the tuition service budget mainly as a result of the following:

- A place was 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 was placed in the Tuition service and to support the placement Independent Psychological services had to be purchased costing £0.015m for the period 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 – Schools Equal Pay Claim – Final year end work identified a number of additional costs which resulted in the small variance of **£0.009m**.

Note 11 – 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 21st 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 12 – 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 resulted in a net underspend of £0.074m. A full review of the calculation methodology was subsequently undertaken.

Note 13 – Surplus 2 year old funding – During consideration of the projected post 16 high needs funding shortfall in July, Schools Forum was 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 £0.614m would arise in the first 2 terms (during 2013/14) and £0.453m would arise 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 (2 terms)
- Funding of £0.453m was set aside to be used in 2014/15 (1 term).

Note 14 – Trade Union Funding – As agreed by Schools Forum the LA has centrally funded Trade union release time during 2013/14 at a cost of £0.023m funded from the DSG balance. (New de-delegation and traded service arrangements are in place for 2014/15).

Note 15 – 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 £0.043m.

Note 16 – Recoupment – Anticipated costs accrued for outstanding 2012/13 charges for placements at Wiltshire County Council schools under the old inter LA recoupment arrangements have been settled during 2013/14 at lower values than were expected. In addition a further accrual was not required as a former SBC pupil had been adopted by parents in Hampshire who inherited the liability. As a result a **£0.033m** saving has been reported.

3) 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 11th March 2014 Schools Forum is as follows;

Table 2 – DSG Balance Position

	Latest Position	11 th March 2014 Forum
Opening DSG balance b fwd from 2012/13	£2.150m	£2.150m
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 (This has been transferred to the EOTAS delegated budget and included in school balance reports)	-£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 1)	+£1.031m	+£0.532m
Actual DSG balance c fwd from 2013/14	£2.470m	£1.971m
Less – Primary £54.77 BPPE increase payable in 2014/15 (agreed at the 21 st January 2014 Forum see 2014/15 DSG budget setting report)	-£0.970m	-£0.970m
Less – Additional double top up payments to Ridgeway ASC unit in 2014/15 (agreed at the 11 th March Forum see High Needs report)	-£0.058m	-£0.058m
Less – Potential £20,000 provision for Red Oaks SRP premises alterations to expand places from 6 to 10 (agreed at 11 th March Forum see High needs Report subject to a business case – costs are now estimated at £29,300)	-£0.029m	-£0.020m
Projected DSG balance unallocated	£1.413m	£0.923m

6) Summary of Recommendations

The Leadership Team is asked to:-

- 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.
- Note the final out-turn position as summarised in Section 2 and the latest DSG balance forecast as shown at 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 July 2014 Schools Forum).
- Note that as the final outturn position reflects a substantially higher underspend of £1.031m than was forecast at the end of November (£0.242m) and the end of January (£0.532m) Budget Managers supported by the Finance team will need to review why these forecasts proved inaccurate and identify steps to improve this for 2014/15 which should be reported to the Schools Forum in July. The LA finance team measures schools performance in estimating their year end balances and inaccurate forecasting of the centrally retained budgets is unhelpful in managing the overall DSG position. The three areas where forecasts proved substantially inaccurate were;
 - External placements
 - Post 16 non schools payments
 - Early Years 3 and 4 year old DSG