

Report to: **Commissioning – Economy and Attainment Leadership Team**
From: Steve Haley, Head of Finance – Education and Innovation
Date: 29th September 2014
Subject: **Budget Monitoring Report – DSG Services**
Period: Period to end of August 2014

1) Background

The Council's corporate budget monitoring timetable requires each Group to report its forecast outturn position each month and this report is based on information provided at the end of August 2014. 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 introduction by the DfE of a three block approach to the allocation of DSG has made it harder for the LA to predict the level of annual funding receivable. The July monitoring report estimated 2014/15 DSG funding at £149.083m and at that time there was uncertainty over the inclusion of all Swindon Academy pupils in our schools block following changes to Academy recoupment arrangements. Since then the LA has received confirmation from the EFA that the transfer of Swindon Academy will be fully funded meaning that the full £4.556m can now be included as DSG funding to match the costs arising from the local formula. There are three further minor changes to the level of this year's DSG funding totalling £0.065m and the latest estimate is now **£153.574m**.

Further adjustments are to be expected as the Early Years block will be adjusted for the Early Years census information in January 2015 and updates on these items will be incorporated into future Leadership Team reports. A summary of how the 2014/15 DSG has been allocated so far, including Swindon Academy, is provided in the following table.

Table 1 – DSG 2014/15 Overview

	<u>£m</u>	<u>£m</u>
<u>Delegated</u>		
Mainstream schools & academies (including Swindon Academy)	115.7	
Specialist settings (Special Schools and SRP's)	8.2	
Alternative provision settings	1.2	125.1
<u>Centrally retained for provision</u>		
Disadvantaged 2 year old nursery places	2.6	
Free Nursery Entitlement 3 & 4 year olds	7.8	
In Year Pupil Growth	0.7	
High Need SEN		
Portage, SEN equipment, Therapeutic services etc.	0.4	
SBC top ups – mainstream settings	1.7	
SBC top ups - high need specialist settings	8.3	
HN Contingency	0.6	
Tuition Service	0.9	
Out of Borough placements	2.6	
Post 16 provision (new responsibilities)	2.0	
Exclusions income	-0.3	27.3
<u>Centrally retained to cover SBC and other costs</u>		
Admissions, Free School Meal eligibility checks, school licences, equal pay etc.	1.2	1.2
Total DSG Allocation		153.6

2) Completion of Online Monitoring Forecasts

As part of the budget monitoring reporting process the LA is required to report to Corporate Board on 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 Budget monitoring completion rate was 97.5% (39/40) compared with 75% for July. (The poor response in July was entirely due to staff absences in the Finance Team).

The Leadership Team is asked to remind Budget Managers of the importance of this exercise and to encourage continued high participation for the remainder of the year.

3) High Risk Areas and Latest Projections

Commentaries on all the main variances which have been identified so far and on those areas of the budget which are inherently high-risk, and therefore have the potential to significantly affect the overall position, are provided below.

Table 2 – Latest Budget Monitoring Position				
Item	Notes	Budget 2014/15 £'000	Projected Variance (August) £'000	Projected Variance (July) £'000
High-Risk Areas				
2 year old nursery place funding	1	2,158	(276)	0
2 year old nursery place capacity building	1	470	200	0
Free nursery education (3&4 year olds)	2	7,823	220	0
High Needs Top ups (Mainstream)	3	1,682	209	209
High Needs Top ups (Specialist)	4	8,316	125	125
<ul style="list-style-type: none"> Less costs of Ridgeway pump priming top up enhancements agreed to be funded from the DSG balance as at the March 2014 Schools Forum) 	4	0	(58)	(58)
Notional SEN supplements (Mainstream)		350	0	0
External Placement Fees (speak to June)	5	2,562	(43)	(49)
HN Contingency	6	550	(233)	(226)
Post 16 HN Provision - New Responsibilities	7	2,022	0	0
School Exclusions / Dual registrations		(350)	0	0
Tuition Service	8	890	5	15
Schools Equal Pay Claims	9	170	190	190
Subtotal High Risk Areas		26,643	338	206
Other Low risk retained budgets	10	1,900	40	43
<ul style="list-style-type: none"> Less costs of Redoaks SRP premises alterations agreed to be funded from the DSG balance at the July 2014 Schools Forum 	10	0	(29)	(29)
Total Retained Budgets		28,543	349	220
Delegated School Budgets (Mainstream)		115,630	970	970
<ul style="list-style-type: none"> Less costs of Temporary Primary BPPE increase agreed to be funded from DSG balance at the January 2014 Schools Forum 		0	(970)	(970)
Delegated School Budgets (Specialist Settings)		9,401	0	0
Total DSG Budgets		153,574	349	220
DSG Funding Allocation	2	(153,574)	(283)	0
Total DSG		0	66	220

The Leadership Team is asked to note that the forecast out-turn position, a projected overspend of £66,000, will be reported to Corporate Board this month and to Schools Forum on 7th October.

The position has improved since the end of July due to a £0.283m increase in expected early years funding and the main reasons for the net over spend are shown on the following pages:

Note 1 – Disadvantaged two year old nursery funding : £0.076m Underspend

The budget of £2.158m for 2 year old places is projecting a £0.276m underspend. This has arisen because a number of infrastructure expansions of nursery provision have been completed later than originally planned resulting in lower overall take up during the early part of the year.

It is proposed to use £0.200m of this underspend to support the existing £0.470m budget (£0.670m in total) for growing capacity in 2 year old provision. This will enable the LA to supplement the SBC capital programme by £0.150m to increase capacity and commission an additional 48 disadvantaged 2 year old places at Tadpole Farm Primary School beyond those already planned and other schemes costing up to £0.050m are being developed.

As DfE have confirmed that participation funding will apply from 2015/16 onwards it is important that take up is maximised and Schools Forum will be asked to support the employment of a temporary part time project support officer from mid October to 31st March 2015 at a total approximate cost of £6,000 to help promote the 2 year old offer to disadvantaged parents and provide capacity to the team administering the increasing demand.

**Note 2 – Free nursery education (3 & 4 year olds) : £0.220m Overspend
£0.283m increased funding**

This is the first estimate of the 2014/15 outturn position and a **£0.220m** overspend is forecast. Maintained setting early years numbers are stable but there has been an increase in take up of places in Private, Voluntary and Independent providers of Nursery Education.

As this element of DSG is based on participation the LA anticipates that the overspend will be offset by an increase in the amount of Dedicated Schools Grant receivable. Early Years DSG is calculated based on 5/12ths of the January 2014 and 7/12ths of the January 2015 Early Years Census. There has been a small reduction in the January 2014 census (-4 FTE) but a larger increase in the January 2015 census (+128 FTE) is now projected. The updated DSG calculation compared to the 2014/15 budget agreed by Schools forum in January is summarised below;

Table 3 – Early Years 3 and 4 year old 2014/15 DSG Funding		
	2014/15 Budget	2014/15 Projection
January 2014 Census (5/12)	2,108	2,104
January 2015 Census (7/12)	2,227	2,355
Full Year Equivalent	2,177	2,250
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£8,465,927	£8,748,135
Difference		£282,208

The net increase in early years pupils of 73 will attract additional DSG of **£0.283m**.

Note 3 – High Needs Top ups (Mainstream) : £0.209m Overspend

This overspend is in line with the pressure identified earlier in the year and is mainly as a result of the new SENRAP policy implemented in September 2013 whereby monetary requests must be submitted to secure funding over and above the delegated notional SEN budget of £6,000. A review of the process indicated that there were inconsistencies in the amount of additional resource provided for pupils with similar levels of need (for example band 3 pupils

have attracted a minimum of £1.577 up to a maximum of £10.068) and average funding allocations exceed the values assumed when the budget was set. The 2014/15 budget assumed 384 pupils would be supported at an average annual cost of £3,818. Whilst the number of pupils has remained stable average annual costs since September 2013 are £4,573 per pupil and it is intended that a move to band based funding is fully implemented from 1st April 2015.

A briefing note have been issued to SENRAP members to advise them of the situation and to encourage greater consistency and letters have been sent to all mainstream schools on this issue inviting comments. It is anticipated that new process will be developed by December 2014 and progress will be discussed at the scheduled High Need Task group meetings.

Note 4 – High Needs Top ups (Specialist) :

£0.067m Overspend

The gross overspend on High needs Top Ups for Specialist providers is £0.125m. Of this £0.058m relates to the policy to pay double top ups to provide pump priming funding to the new Ridgeway ASC SRP. Schools Forum agreed that this element should be funded from the DSG balance. The remaining £0.067m overspend relates to the agreement of additional places at Eldene and Redoaks and some further changes to bespoke packages of SEN and therapy supplements.

Note 5 – External Placement Fees :

£0.043m Underspend

The projected underspend follows an audit of every provider where individual pupils have been checked and education plans agreed. There has been a small reduction in underspend since the July report. Future projections of the year end forecast will be affected by new pupils requiring placements, changes in education plans or where pupils stop attending their placed provider. All placement and financial changes will be reported as they become known.

Note 6 – High Needs Contingency :

£0.233m Underspend

During the 2014/15 budget setting process Schools Forum agreed that a contingency of £550,000 would be held to cover additional top up and placements costs. At this stage in the year this should prove sufficient to cover the projected overspends at notes 3 (£0.209m) and 4 (£0.067m) which are partly offset by underspends at note 5 (£0.043m) above resulting in a net overspend of £0.233m. If expenditure on placements increases through the remainder of the year to the level where the £0.550m contingency is fully spent and if offsetting underspends or savings can not be identified in other DSG retained budgets any residual overspend would need to be met from the DSG balance.

Note 7 – Post 16 HN Provision (New Responsibilities) :

Breakeven.

FE colleges, ISP's and other post 16 post school training providers operate on academic years and indicative 2014/15 figures were presented to the July 2014 Schools Forum. Since July, the EFA has confirmed that it will pay for elements 1 and 2 for 20 Swindon pupils attending UET which has reduced the commitment required from the DSG. The LA has also finalised the 2013/14 academic year position which has a one term impact on the 2014/15 budget.

This provides an opportunity to increase the indicative post 16 post school 2014/15 band values above the values presented to the Forum in July and a separate report on this matter has been prepared for the 7th October Schools Forum. Proposals have been based on fully utilising the £2.022m funding available with a view to achieving a break even position in 2014/15.

Note 8 – Tuition Service :**£0.05m Overspend**

The service is supporting a greater number of pupils than was originally budgeted for and a £15k overspend was forecast last month as Tutor salary costs have increased as a result of this higher demand. A minor restructuring has recently been agreed which will reduce annual costs and bring down the in-year overspend to approximately £5k.

Note 9 – Equal Pay :**£0.190m Overspend**

As reported to the July Forum a number of school equal pay claims have been settled recently of which 50% will need to be met from the retained budget either as one off funding or via loans to match decisions taken by schools and academies. Based on information received an in overspend of approximately £0.190m will occur which can be absorbed from the current year budget. Schools Forum have agreed in principle to use some of the DSG balance to reduce the central liability and a separate report on this matter has been prepared for the October Forum meeting.

Note 10 – Other Low Risk Items :**£0.011m Overspend**

Two areas of overspend have been identified so far this year. Schools Forum agreed a £20,000 increase in pre-opening start-up funding for the Tadpole Lane primary school to recognise their early years provision. Schools Forum also agreed that premises alteration costs of £29,000 at the Redoaks SRP could be funded from the DSG balance and there are 3 smaller underspends on Portage (£4,300), Travellers Children (£2,000) and Trade Union Facilities (£2,500).

The Leadership Team is asked to note the risk areas above, the forecast out-turn positions and the suggested actions.

4) 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 incorporates agreements made at the July 2014 Schools Forum and proposals which are being presented at the October Forum is as follows;

Table 4 – DSG Balance	Latest Position
Opening DSG balance b fwd from 2013/14	£2.470m
Less – Primary £54.77 BPPE increase payable in 2014/15 and included in delegated school budgets (January 2014 Forum)	(£0.970m)
Less – Additional double top up payments to Ridgeway ASC unit (March 2014 Forum)	(£0.058m)
Less – Red Oaks SRP premises alterations to expand unit places (July 2014 Forum)	(£0.029m)
Less – projected in year deficit (see table 2)	(£0.066m)
Current DSG balance unallocated	£1.347m
Less proposed repayment of equal pay liabilities (see separate SF report)	£0.700m
Projected DSG balance post equal pay liabilities	£0.647m

The Leadership Team is asked to note that the unallocated DSG balance is £1.347m with £0.700m earmarked to repay equal pay and that all expenditure met from the balance must be allowed under the school finance regulations and be agreed by Schools Forum.

7) Summary of Key Recommendations

The Leadership Team is asked to:-

- *Note that the forecast out-turn position, a projected overspend of £66,000 will be reported to Corporate Board this month and that the end of August position will be reported to Schools Forum on 7th October.*
- *Note the risk areas above, the forecast out-turn positions and the suggested actions*
- *Note that the unallocated DSG balance is currently £1.347m and that there is a further proposal to October Schools Forum to pay for £0.700m of Equal Pay Liabilities.*