

Report to: **Commissioning – Economy and Attainment Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 7th January 2015
 Subject: **Budget Monitoring Report – DSG Services**
 Period: Period to end of December 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 December. In addition to financial forecasts, information is also provided regarding Budget Manager participation in the on line forecasting process. To improve the standardisation of reporting, a subjective analysis of the centrally retained budget is provided this month together with a full listing of all E and A service budgets showing the actual spend at the end of December compared to the budget profiles loaded on the oracle system.

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 forecast annual DSG funding receivable. As previously reported the EFA have finally confirmed that the costs relating to Swindon Academy pupils will be matched by additional funding and as a result the position would be cost neutral for the LA. This means that the latest estimate of funding is £153.574m, however, the Early Years block will not be finalised until after the January 2015 census, so there still remains a degree of uncertainty for the complete funding. Updates will be incorporated into future Leadership Team reports as and when they become known. A summary of how the 2014/15 DSG has been allocated so far is provided below.

Table 1 – DSG 2014/15 Overview

	<u>£m</u>	<u>£m</u>
<u>Delegated</u>		
Mainstream schools & academies	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 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 December completion rate was 100% (40/40), 12.5% higher than November.

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 have been identified and 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 £'000	Projected Variance last month £'000
High-Risk Areas				
2 year old nursery place funding	1	2,158	(400)	(400)
2 year old nursery place capacity building		470	200	200
Free nursery education (3&4 year olds)	2	7,823	60	60
High Needs Top ups (Mainstream)	3	1,682	395	332
High Needs Top ups (Specialist)	4	8,316	55	(9)
Notional SEN supplements (Mainstream)		350	0	0
External Placement Fees	5	2,562	(78)	(50)
HN Contingency	6	550	(550)	(273)
Post 16 HN Provision - New Responsibilities	7	2,022	(174)	0
School Exclusions / Dual registrations	8	(350)	20	20
Tuition Service	9	890	6	6
Schools Equal Pay Claims	10	170	195	190
Subtotal High Risk Areas		26,643	(271)	76
Other Low risk retained budgets	11	1,900	60	5
Unallocated EFA place funding earmarked for Equal Pay		522	0	0
Total Retained Budgets		29,065	(211)	81
School Budgets (Mainstream)		115,630	970	970
Less costs of Temporary Primary BPPE increase agreed to be funded from DSG balance at the January 2014 Schools Forum			(970)	(970)
School Budgets (Specialist Settings)		9,401	0	0
Total DSG Budgets		154,096	(211)	81
DSG Funding Allocation	2	(153,574)	(230)	(230)
EFA 6 th Form Place Funding		(522)	0	0
Total DSG		0	(441)	(149)

The Leadership Team is asked to note that the forecast out-turn position, a projected underspend of £441,000, will be reported to Corporate Board this month.

The main reasons for the under spend are provided below:

Note 1 – Disadvantaged two year old nursery funding – £0.200m underspend

The budget of £2.158m for 2 year old places is projecting a **£0.200m** underspend with no movement since the November position was reported. As explained in the last report, the underspend has arisen because a number of infrastructure expansions of nursery provision have been completed much later than originally planned resulting in lower overall take up during the early part of the year.

It has been agreed at Schools Forum 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 have agreed to support the employment of a temporary part time project support officer. This appointment has now been made 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. This has been reflected against the underspend from last month.

Note 2 – Free nursery education (3 & 4 year olds):**£0.060m Overspend****£0.230m Increased funding**

This is an estimate of the 2014/15 outturn position and a **£0.060m** overspend is forecast. There have not been any changes in the forecast for both Maintained and Private, Voluntary and Independent settings since November. The Maintained setting early years numbers were overestimated by schools and the actual take up was lower than expected (£0.084m). This was compensated by an increase in take up of places in Private, Voluntary and Independent providers of Nursery Education by £0.144m, resulting in an overall overspend of £0.060m.

As reported last month, this element of DSG is based on participation and 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. The latest projection on the January 2015 census was in October, 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	2,331
Full Year Equivalent	2,177	2,236
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£8,465,927	£8,695,404
Difference		£229,477

The net increase in early years pupils of 59 will attract additional DSG of **£0.230m**. A further update of the anticipated January 2015 position should be available during January.

Note 3 – High Needs Top ups (Mainstream): **£0.395m Overspend**

The projected overspend of **£0.395m** reflects an increase compared with the indicated pressure identified in the end of October report. The large variance against plan is 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. As a result of the moderation, additional SENRAP payments being agreed, a bespoke package for a child following a tribunal and additional top ups due to go to EOTAS an additional pressure of £0.063m in primary schools and primary academies has been identified this month.

As previously reported a review of the process indicates that there are inconsistencies in the amount of additional resource provided for pupils with similar levels of need and that average funding exceeds 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 £4,577 per pupil. It is intended that a move to band based funding is implemented from 1st April 2015. This will require schools to self-assess initial bandings and if, following moderation, they have over/under estimated this, funding will be adjusted retrospectively. This matter will be discussed at the scheduled High Need Task group meetings. In the meantime a briefing note to SENRAP members has been provided to advise them of the situation and to encourage greater consistency.

Note 4 – High Needs Top ups (Specialist): **£0.055m Overspend**

The latest projections indicate an overspend of **£0.055m**. All specialist providers are completing a self-audit and moderation exercise, the outcome of which is an additional pressure of £0.064m identified this month. Caution should therefore be applied to the current position as some pupils going through the current system may have to be re-banded and costs applied retrospectively.

Note 5 – External Placement Fees: **£0.078m Underspend**

The latest projections indicate an underspend of **£0.078m**. The projected underspend follows the audit of every provider where individual pupils have been checked and education plans agreed. The latest month on month favourable movement of £0.028m reflects an amendment of a placement move date (£0.004m) and one placement with revised shared cost arrangements to include a health contribution in the future (£0.024m). All placements will be reflected on our monitoring reporting system which will enable under and overspends to be more readily tracked.

Note 6 – High Needs Contingency: **£0.550m 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 the contingency is expected to be underspent in full and this is a change in reporting as previously the contingency has been to net to nil with the under/overspends in notes 3, 4 and 5. The £0.550m underspend should prove sufficient to cover the projected overspends at notes 3 £0.395m and note 4 £0.055m and which are partly offset by underspend at note 5 £0.050m above, i.e. a net underspend across all of these cost centres of £0.150m. Should this prove not to be the case this could require use of the DSG balance unless offsetting savings occur in other parts of the retained budget.

Note 7 – Post 16 HN Provision (New Responsibilities): **£0.174m Underspend**

The timescales for allocating budgets to FE colleges, ISP's and other post 16 training providers require academic year funding to be agreed and indicative figures were presented to the July 2014 Schools Forum. Since the July Forum the EFA have confirmed that they will be providing element 1 and 2 funding (estimated by the LA at £0.220m) directly to the UET which reduced

the commitments that need to be met from the DSG. This provides an opportunity to boost the indicative post 16 band values after a review of likely ISP and other costs is undertaken including a realistic assessment of outstanding placements. Learning providers have confirmed the result of the KS5 moderation and pupil attendance; following this the number of High Needs pupils with unconfirmed placements has increased from 23 to 44.

In ISPs (includes the UET), a change to social care and residential arrangements and a smaller contribution from Adult Social Care and Health for two young people resulted in a pressure of £0.030m and additional placement expenditure of £0.011m.

In FE Colleges and Training providers, the increase of the 21 unconfirmed placements has resulted in an underspend of £0.215m as these placements were included in the budgeted spend but have not been realised. Monitoring work is being undertaken with locality teams, providers and commissioners to determine the pathways back to education for these young people. The net position for ISP and FE providers is an underspend of £0.174m.

Note 8 – School Exclusions / Dual Registrations **£0.020m Overspend**

The current income trend for School Exclusions indicates that the budgeted target will not be met this year. A pressure of **£0.020m** was identified in October due to a high proportion of pupils that are referred to the Tuition Services that are not chargeable as they are not currently within the school system.

Note 9 – Tuition Service: **£0.006m Overspend**

The Tuition Service is currently projecting a **£0.006m** overspend. Due to changes in the staffing structure and also in elements of the provision for pupils this is continually monitored. Bespoke pupil intervention will be a factor going forward as will the effect of using different commissioned providers. In addition income for pupils who move in to the service from other EOTAS areas is being reviewed and is likely to increase service income.

Note 10 – Equal Pay: **£0.195m Overspend**

The October schools Forum had supported a request to use £2.0m from the following sources:

- £0.8m from NNDR reserves;
- £0.7m of the DSG balance and
- £0.5m from EFA funding towards SEN sixth form funding at Uplands,

to pay off £2.0m of outstanding DSG equal pay liabilities in the current financial year. This would improve the DSG annual central budget as the equal pay amount would reduce to £0.034m from £0.170m due to the repayment of the loan balance. This additional amount could then be freed up to allow a greater amount of DSG to be delegated to schools and other providers. This decision recognises the current overspend of **£0.195m**, this has been updated from £0.190m to reflect the actual spend up to December.

Note 11 – Other Low Risk Items: **£0.060m Overspend**

The projected overspend has increased by £0.055m mainly due to reduced School subscription payments (£0.014m), Pupil Growth payments and increases in pupils following October Census £0.070m.

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 October 2014 Schools Forum is as follows;

Table 3 – DSG Balance	Latest Position
Opening DSG balance bfwf 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 – Repayment of equal pay liability (October 2014 Forum)	-£0.700m
Plus – projected in year surplus (see table 2)	+£0.441m
Projected DSG balance unallocated	£1.154m

The Leadership Team is asked to note that the unallocated DSG balance is £1.154m and that all expenditure funded from this balance will need to be allowed under the early years and school finance regulations and be agreed by Schools Forum.

5) Subjective Analysis

A summary of the latest projected year-end variance of (£0.211m) across the £26.07m centrally retained budget by type of expenditure compared to the budget profiles is shown below. This presents a different view to the more traditional analysis by service area. This is a standard table used by the Finance Team which has been included in the DSG report to improve consistency.

Table 4 – 2014/15 Subjective Analysis
Subjective analysis Delegated DSG December 2014

Group Budget position by expenditure type	Year to date budget £'000	Year to date actual £'000	Year to date variance £'000	Total Budget 2014/15 £'000	Forecast Variance 2014/15 £'000
Employees	937	905	(32)	1,256	3
Premises	103	67	(36)	125	0
Transport	7	8	0	10	(0)
Supplies & Services	343	714	371	922	(498)
3rd Party Payments	18,403	17,894	(509)	26,404	83
Internal Recharges	779	1,060	280	779	210
Capital Financing	0	196	196	470	200
Income	(757)	(685)	71	(1,423)	(208)
Total	19,817	20,160	343	28,543	(211)

The Leadership Team is asked to note the addition of subjective analysis information and the need to agree realistic budget profiles for input to the oracle system.

6) Improving Forecasting

The Leadership Team is reminded that in year forecasting of the centrally retained DSG proved to be inaccurate during 2013/14 and that the final underspend figure of £1.0m was £0.5m higher than the end of January figure reported to the Schools Forum in March.

Similar levels of unplanned underspends occurred in other service areas and Budget Managers across the LA will be regularly invited to attend discussions on what the barriers to effective forecasting are and how they can be alleviated.

Given that we are accountable to the Schools Forum regarding the effective management of the DSG, monthly meetings with senior Budget Managers (Gill and Sally) have been scheduled through to the end of 2014/15 to take place shortly after the month end forecasting deadlines. This will enable all high risk forecast figures to be challenged and enable the wider budget position to be assessed, particularly on high need budgets, prior to reporting through to corporate board and in some months the Schools Forum.

The Leadership Team is asked to note that the finance team will be inviting budget managers to discuss barriers to effective forecasting and that additional meetings have been scheduled to discuss key areas and the overall DSG position.

7) Summary of Key Recommendations

The Leadership Team is asked to:-

- *Note that the forecast out-turn position, a projected underspend of £441,000, will be reported to Corporate Board this month.*
- *Note the risk areas above, the forecast out-turn positions and the suggested actions*
- *Note that the unallocated DSG balance is currently £0.901m*
- *Note the steps proposed aimed at improving forecasting*