

Report to: **Commissioning – Economy and Attainment Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 6th March 2015
 Subject: **Budget Monitoring Report – DSG Services**
 Period: Period to end of February 2015

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 February. 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 February 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, we are still working to finalise the Early Years block, 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 February completion rate was 95% (38/40) a reduction of 5% when compared to January's reported completion rate of 100% (40/40).

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	(575)	(400)
2 year old nursery place capacity building	1	470	295	200
Free nursery education (3&4 year olds)	2	7,823	(35)	58
High Needs Top ups (Mainstream)	3	1,685	355	354
High Needs Top ups (Specialist)	4	8,313	119	114
Notional SEN supplements (Mainstream)	5	350	15	15
External Placement Fees	6	2,562	(210)	(137)
HN Contingency	7	550	(550)	(550)
Post 16 HN Provision - New Responsibilities	8	2,022	(139)	(127)
School Exclusions / Dual registrations	9	(350)	20	20
Tuition Service	10	890	16	16
Schools Equal Pay Claims	11	170	195	195
Subtotal High Risk Areas		26,643	(494)	(242)
Other Low risk retained budgets	12	1,900	48	14
Unallocated EFA place funding earmarked for Equal Pay		522	0	0
Total Retained Budgets		29,065	(446)	(228)
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	(446)	(228)
DSG Funding Allocation	2	(153,574)	(45)	(230)
EFA 6 th Form Place Funding		(522)	0	0
Total DSG		0	(491)	(458)

The Leadership Team is asked to note that the forecast out-turn position, a projected underspend of £491,000, will be reported to Corporate Board this month.

The main reasons for the underspend are provided below:

Note 1 – Disadvantaged two year old nursery funding**£0.280m underspend**

The budget of £2.158m for 2 year old places is projecting a £0.575m underspend with a new underspend of £0.175m reported this month. As explained in the last report, the underspend has arisen because a number of infrastructure expansions of nursery provision have slipped 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. A number of projects have been tendered at 15% over the original estimates requiring a capital budget of £0.765m in total, this spend will produce the number of places required by the DfE before the October census target, enabling the early years team to concentrate on marketing the new provision and ensuring the places are filled.

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 to help to promote the 2 year offer to disadvantaged parents and provide capacity to the team administering the increasing demand. This appointment has now been made and the cost is now expected to be £0.004m, a saving of £0.002m.

Note 2 – Free nursery education (3 & 4 year olds):**£0.035m Underspend****£0.046m Increased funding**

This is an estimate of the 2014/15 outturn position and a **£0.035m** underspend is forecast. There has been a decrease of £0.031m in the forecast for Maintained settings as some schools are still carrying some surplus places. Previously there had not been a change in the forecast in Private, Voluntary and Independent settings since November. The Maintained setting early years numbers were overestimated by schools and the actual take up is lower than expected (£0.118m). This has also been overestimated in the Private, Voluntary and Independent providers of Nursery Education, which is now apparent as a result of pupil information submitted during the Spring Term, the forecast for this sector has decreased by £0.031m to £0.083m, resulting in an overall underspend of £0.035m. However, the widening of the early education funding to include Childminders has increase the spend over the estimates in this group. Providers have until 13th March to confirm their take up for the January census, so the 3 & 4 year old pupil numbers are still provisional at this time.

As reported last month, this element of DSG is based on participation and the LA anticipates that the underspend will be offset by a decrease 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 has been received and the updated DSG calculation compared to the 2014/15 budget agreed by Schools forum in January 2014 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	2,250
Full Year Equivalent	2,177	2,189
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£8,465,927	£8,511,612
Difference		£45,685

The estimated net increase in early years' pupils of 12 will attract additional DSG of **£0.046m**, so this means that the additional £0.230m DSG previously reported is not expected to be received based on the January census, this is a decrease of £0.184m since the January report.

Note 3 – High Needs Top ups (Mainstream): **£0.355m Overspend**

The projected overspend of **£0.355m** reflects a slight increase compared with the indicated pressure identified in the end of January 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, an increased number of packages and additional SENRAP payments being agreed, an additional pressure of £0.001m 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. The number of pupils has increased in year to 414 and average annual costs since September 2013 are £4,509 per pupil in schools.

Note 4 – High Needs Top ups (Specialist): **£0.119m Overspend**

The latest projections indicate an overspend of **£0.119m**. All specialist providers are completing a self-audit and moderation exercise, the outcome of which is an additional pressure of £0.005m 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 – Notional SEN: **£0.015m Overspend**

The final Notional SEN payments were made to schools in January based on the numbers of statemented pupils in the October 2014 census; this resulted in the pressure of **£0.015m** reported last month.

Note 6 – External Placement Fees: **£0.210m Underspend**

The latest projections indicate an underspend of **£0.210m**. 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 £0.073m reflects four new placements £0.022m, an amendment of the move date for two placements (£0.009m), the extension of a secure placement (£0.015m), one main reduction relates to a placement ending (£0.058m), receipt of funding from the EFA (£0.010m) and the actual costs incurred are lower for one placement (£0.002m). All placements will be reflected on our monitoring reporting system which will enable under and overspends to be more readily tracked.

Note 7 – 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 6. The **£0.550m** underspend should prove sufficient to cover the projected overspends at notes 3 £0.355m and note 4 £0.119m and which are partly offset by underspend at note 6 £0.210m above, i.e. a net underspend across all of these cost centres of £0.264m. 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 8 – Post 16 HN Provision (New Responsibilities): **£0.139m 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. An update has been provided on the pupils reported in January as being without a confirmed placement. There are 38 in learning, employment or training with all costs projected where appropriate. The remaining learners are not included in the projections, 15 are currently NEET and confirmation is still needed on 3 learners. Monitoring work is being undertaken with locality teams, providers and commissioners to determine the pathways back to education for these young people.

In ISPs (includes the UET), the forecast has decreased this month by £0.018m due to lower costs being agreed for two pupils so the total ISP underspend forecast is **£0.006m**.

In FE Colleges and Training providers, there has been an increase in the underspend by £0.006m across a number of settings due to element 2 funding not being incurred and a pupil moving to another provision. Following the completion of the work to identify outstanding placements a pupil has joined one provision. Following this decrease the total FE Colleges and Training Providers underspend is now **£0.188m**. The underspend relates to learners being in apprenticeships or mainstream 6th forms or ESF funded packages, 5 learners have also moved out of the LA and there are learners who are NEET or in unconfirmed placements as above. These learners were included in the budgeted spend but the costs will not be realised.

There is a new pressure this month of £0.012m due to a reduction in social care recharges, the total recharges forecast is **£0.055m** less than budgeted. The net position for ISP and FE providers is an underspend of **£0.139m**.

Note 9 – School Exclusions / Dual Registrations **£0.020m Overspend**

The current income trend for School Exclusions is lower than expected and a pressure of **£0.020m** was identified in October. This is 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 10 – Tuition Service: **£0.016m Overspend**

The Tuition Service is currently projecting a **£0.016m** 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 11 – 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**.

Note 12 – Other Low Risk Items:

£0.034m Overspend

The projected overspend has increased by £0.013m following the allocation of corporate recharge costs.

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 bfwd 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)	+£0.491m
Projected DSG balance unallocated	£1.204m

The Leadership Team is asked to note that the unallocated DSG balance is £1.204m 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 (£0.447m) across the £28.5m 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.

Schools Forum 17th March 2015 – DSG Retained Budget Monitoring Report Annex A
Subjective analysis Delegated DSG February 2015

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	1,145	1,138	(7)	1,256	(31)
Premises	103	79	(24)	125	(1)
Transport	9	9	(0)	10	(0)
Supplies & Services	366	1,148	782	922	(507)
3rd Party Payments	24,976	23,403	(1,574)	26,404	(342)
Internal Recharges	779	1,103	324	779	246
Capital Financing	0	346	346	470	295
Income	(937)	(1,170)	(233)	(1,423)	(105)
Total	26,442	26,056	(386)	28,543	(446)

To better understand the above table the following annexes are attached to this report

- **Annex A** – this shows a breakdown of all the 2014/15 retained budgets by type of expenditure and income and produces the totals in the “Total budget 2014/15” column in table 4 above
- **Annex B** – this shows a breakdown of each services profiled budget to date compared with actual spend to date. This will present useful information for both year to date actuals and full year projections. The aim is to highlight and address variances now, rather than wait until nearer the year end where late changes undermine confidence in our reporting.

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 £491,000, 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*