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| **Schools Forum 31st January 2017** | Item 3 |

**SUBJECT: DSG budget monitoring report for December 2016**

**LEAD OFFICER: Marius Karsten-Strydom**, Children, Schools and Families Finance

**RECOMMENDATION**

**That the Forum:**

1. **notes the forecast financial position of the DSG as at December 2016**
2. **feeds back on proposals highlighted in 3.1 of this report**
3. **Purpose of report and executive summary**

1.1 Detailed analysis of budgets as at the end of December 2016 by departmental budget managers show a number of over and underspends that combine to forecast a net overspend of £427k as per the tables below.

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| **Dedicated Schools Grant** | **2016/17**  **Current Budget** | **Full year Forecast**  **(as at Dec)** | **Forecast Variance at year-end** |
| **£000** | **£000** | **£000** |
| Delegated expenditure | 126,742 | 126,556 | (186) |
| Retained Items | 19,110 | 19,723 | 613 |
| Income | (145,852) | (145,852) | 0 |
| **Total** | **0** | **427** | **427** |

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| **Dedicated Schools Grant** | **Schools Block** | **High Needs Block** | **Early Years Block** | **Total all Blocks** |
| **£000** | **£000** | **£000** | **£000** |
| Delegated expenditure | (131) | 70 | (125) | (186) |
| Retained Items | 40 | 618 | (45) | 613 |
| **Total** | **(91)** | **688** | **(170)** | **427** |

1.2 DSG funded services are subject to strict grant conditions and are not used by the Council for any other purposes.

1. **Details**
   1. Significant over and underspends identified to the end of December 2016 are detailed in the table below.

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| **Dedicated Schools Grant** | **Schools Block** | **High Needs Block** | **Early Years Block** | **Total all Blocks** |
| **£000** | **£000** | **£000** | **£000** |
| Rate adjustments | 250 |  |  | 250 |
| Bulge class funding | (400) |  |  | (400) |
| SEN statement payments to Merton maintained schools |  | 70 |  | 70 |
| Early Years Funding Formula |  |  | (125) | (125) |
| Other small over and underspends | 19 |  |  | 19 |
| **Delegated expenditure** | **(131)** | **70** | **(125)** | **(186)** |
| Parenting cover | 127 |  |  | 127 |
| SEN placements in Out of Borough maintained schools |  | 246 |  | 246 |
| Independent day school provision |  | 684 |  | 684 |
| Independent residential school provision |  | (159) |  | (159) |
| SEN placements in Merton academies |  | (145) |  | (145) |
| Other small over and underspends | (87) | (8) | (45) | (140) |
| **Retained Items** | **40** | **618** | **(45)** | **613** |
| **Total** | **(91)** | **688** | **(170)** | **427** |

* 1. Additional funding for business rate adjustments done by the valuation office during the year is provided to schools during the year. Based on current information we expect this to overspend in the region of £250k.
  2. The bulge class budget for 2016/17 will underspend by £400k. This is due to a reduction in primary bulge classes required to be funded as the number of primary pupils stabilise.
  3. SEN statement/EHC plan payments to Merton maintained schools are estimated to overspend by £70k. This is based on information available as at December and will fluctuate with changes identified by schools and other Local Authorities towards year-end. Any new statements/EHCPs processed will also affect this estimate.
  4. The Early Years Funding Formula for three and four year old pupils is expected to underspend by an estimated £125k. This amount will be confirmed in June 2017 once the final January census information has been processed and the grant re-calculated by the Education Funding Agency.
  5. The parenting cover budget is expected to overspend by £127k due to a high volume of maternity cases this year.
  6. The budget for SEN children placed in maintained schools out of Merton is expected to overspend by £246k.
  7. The independent day school provision is estimated to overspend by £684k. The number of students placed in this type of provision has steadily increased over the past few years as detailed in the table below.

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|  | **Expenditure**  **£000** | **Pupil Numbers** |
| **12/13** | £2,372 | 69 |
| **13/14** | £2,826 | 84 |
| **14/15** | £3,634 | 97 |
| **15/16** | £4,100 | 116 |
| **16/17** | £4,754 | 124 |

* 1. The independent residential school provision is expected to underspend by £159k. This historic underspend has gone down over the past few years as the budget was used to fund other cost pressures in the DSG in order to maximise the funding left in the Schools Block to allocate to schools. Costs in this area had been kept down through tribunal outcomes in Merton’s favour.
  2. SEN placements/EHC plan payments to Merton academies are expected to underspend by £145k
  3. There are various other small over and underspends predicted across the DSG totalling £140k underspend. This, combined with the items described above, equals the reported overspend forecast of £427k.

1. **Options for 2017/18 budget**
2. In order to address some of the over and underspends on individual budgets, the following transfers and changes were made to the 2017/18 budget:

* Transfer £100k of the Merton academy SEN statement/EHC plan budget to the Merton maintained school budget.
* Re-allocate the bulge class underspend to the schools formula and special schools to help fund their portion Education Services Grant termination as detailed in the ESG report.
* The parenting cover de-delegated budget to be increased in order to fund the expected cost.
* The £686k High Needs Block growth is allocated towards the Independent Day School budget.
* Transfer £250k from the Schools Block to the High Needs Block to fund the SEN placement/EHC plan cost pressure in Out of Borough maintained schools.

1. These transfers and changes identified above aim to maximise the funding in the Schools Block to support schools finances, while ensuring sufficient funding to support students with high needs.
2. If there is a net in-year deficit, this will be funded from the DSG reserve.
3. **Financial, resource and property implications**

4.1 The financial implications are detailed in the main body of this report.

1. **Legal and statutory implications**
   1. No legal implications at this stage.
2. **Human rights, equalities and community cohesion implications**
   1. None at this stage.
3. **Appendices**
   1. None

1. **Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report:** 
   1. Centrally held financial information and other papers held by the Children Schools and Families Finance Team.
2. **Report author**

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