

BUDGET MONITORING AND FINAL DSG SETTLEMENT 2010/11

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1. Purpose

To advise the Schools Forum of:

1. The final DSG settlement for 2011/12
2. The position in relation to Period 6 2011/12 Budget Monitoring
3. The impact of the DfE decision not to pay the final instalment of 2010/11 Standards Fund £758k

2. Recommendations

That the Schools Forum notes:

- a) The final level of DSG in 2011/12
- b) The Period 6 Budget Monitoring forecast outturn position

And

- c) That the Schools Forum retains the unallocated forecast DSG balance until the outcomes of the DfE funding consultation and the local funding formula consultation become clearer.

3. Issues

DSG Settlement 2011/12

At the beginning of March the Schools Budget was agreed with the Schools Forum based on an estimate of the DSG. The pupil numbers used in the calculation are estimated and are not finalised with the DfE until later in the year.

The DfE issued the final DSG settlement in July 2011 following the last Schools Forum meeting. It is a condition of grant that the Council's Chief Finance Officer is required to confirm that the Schools Forum have discussed and taken a view on the final budgeted allocation of DSG.

The final settlement showed a net increase against the estimate of £104k.

Unallocated DSG

There are a number of issues that need to be taken into consideration when considering use of the unallocated DSG in 2011/12, which is currently forecast at £1.7m.

Modelling suggests that we can anticipate a significant growth in pupil numbers in future years. This will generate significant additional amounts of DSG funding over the next few years. However, the Schools Forum should take into account:

- The DfE Consultation on School Funding Reform indicates that the method of allocating funding to each local authority will change. At this stage it is not clear what the implications will be for Milton Keynes. However, a significant element of the overall level of funding paid to Milton Keynes relates to an Area Cost Adjustment (around 10%) which is currently based on General Labour Market costs. Government indicate that they would prefer that this adjustment should recognise that teacher costs are largely based on national pay scales with only the London Allowances causing variations. Any such change would mean a significant reduction in funding for Milton Keynes.
- There may also be a move back from what is now a single GUF (guaranteed unit of funding) to different rates at primary and secondary level. The growth in pupil numbers is largely in the primary sector at present where as the GUF has increased in line with what was generated from the mix of pupils in 2005/6. Furthermore, it is likely that there will be no inflationary increase built into the GUF for 2012/13.
- The consultation on changes to the Milton Keynes funding formula for 2012/13 is proposing transitional funding in respect of the new arrangements for SEN funding and for mainstreamed grants. This would also require additional one off funding in 2012/13 and 2013/14 from the DSG.

For these reasons it is recommended that the forecast balance of £1.7m (which is less than 1% of the gross DSG) is retained for use in 2012/13 budget, when the outcomes of the DfE funding consultation and the local funding formula consultation become clearer.

Monitoring Position 2011/12

- The impact of the final outturn for 2010/11 was an under-spend on central services as offset by academy deductions which increased the balance of DSG by £401k to £1,553k.
- 2010/11 Standards Fund – Work has continued to mitigate the impact of the DfE decision. The final position on the Standards Fund is an £80k under-spend plus an £175k under-spend on the Early Years Extended Provision. Funding will have to be returned to DfE. It has been possible to fund the Summer Term Early

Years Extended Provision from Standards Fund carried forward at March 2011 rather than the DSG which releases a further £575k of DSG.

- Impact of academy conversions – There will be an estimated net reduction in DSG payable to the LA of £191k. This represents the share of relevant central expenditure which is added to the budget share of each academy for the 7 schools which have converted to academy status since April 1 2011.
- YPLA Post 16 SEN funding – This has been reduced by £23k against the budget, a reduction of £37k against the 2010/11 level of funding.
- There has been a (£20k) claw back from schools with surplus balances.
- Budget Monitoring Period 6 2011/12 – There is a (£436k) underspend forecast on the central budgets, as set out in Table 2 and Annex 1.

The overall position is tabulated below:

Table 1: Cumulative Position Balance of DSG:

	Budget	Forecast	Variation
	£'000	£'000	£'000
DSG Balance brought forward at 1/4/2011	(1,152)	(1,553) actual	(401)
Planned Utilisation in 2010/11	794	794	-
Difference between Final DSG and Estimated DSG before in year academy conversions	-	(104)	(104)
Change In funding source to Standards Fund for summer term Early Years Extended Provision	-	(575)	(575)
DSG deducted in respect of academies	-	21,074	21,074
Reduction in spend (ISB) in respect of Academies	-	(20,883)	(20,883)
Reduction In YPLA Post 16 SEN funding		23	23
Clawback of excess balances		(20)	(20)
Forecast underspend on central LA services as at P6	-	(436)	(436)
DSG Balance carried forward at 31/3/2012	(358)	(1,680)	(1,322)

Table 2: Forecast Variation of Spend on LA Central Expenditure

The forecast underspend shown in the table above is illustrated in more detail below:

Central Expenditure Variations	Movement since last report	Variation	Comment
	£'000	£'000	

ISB	(200)	(200)	Reduction in ISB in respect of funding transferred back to LA to fund temporary medical support (£200k)
Support for Schools in Financial Difficulty 1.1.1	(100)	(100)	Reduction in amount held in contingency following report to Schools Forum in July 2011
Schools Specific Contingency 1.1.2	147	147	Transfer of temporary medical budget back from Behaviour Partnership £180k, increase in temporary AER support £87k offset by savings on stated pupil contingency (£129k)
Provision for pupils with SEN 1.2.1	197	197	The costs of the SENDIS team which can be charged to the DSG have been reassessed increasing the charge by £202k to £609k
Independent school fees without SEN 1.2.6	(50)	(50)	Reduced following a review of current placements (£50k)
Behaviour Support Services 1.3.2	(27)	(27)	Staff vacancies (£27k)
Education other than at school 1.3.3	116	116	Financial Provision required to fund placements for young people joining during the final year of compulsory education who have not been following a GCSE programme of study or for whom their first language is not English, (as agreed by the Schools Forum in May 2011) £116k
Termination of Employment costs 1.6.9	(500)	(500)	Reassessment of the contingency for redundancy payments reducing requirement from £790K to £290k
Miscellaneous	(19)	(19)	
Net under spend of central expenditure	(436)	(436)	

Areas of Concern

There are elements of the central expenditure where the outturn could potentially be significantly less than forecast. This could increase the forecast carry forward to in excess of £2m by the year end.