

TO: SCHOOLS FORUM
DATE: 14 SEPTEMBER 2017

**THE SCHOOLS BUDGET – 2017-18 BUDGET MONITORING
AND OTHER FINANCIAL MATTERS
Director of Children, Young People and Learning**

1 PURPOSE OF REPORT

- 1.1 The purpose of this annual report is for the Schools Forum to receive an update on the 2017-18 forecast budget monitoring position for the Schools Budget, to be aware of key issues and management actions being taken and progress to date on the Education Capital Programme.

2 EXECUTIVE SUMMARY

- 2.1 At this early stage of the financial year, initial monitoring of the revenue budget indicates a minor forecast year end under spending of £0.006m. Work on the provision of school places continues to progress through the capital programme as do a number of significant maintenance schemes at schools. The need to consider making changes to the school loan scheme and funding arrangements for providers that deliver the free entitlement to early years education and child care have also been identified.

3 RECOMMENDATIONS

That the Schools Forum NOTES:

- 3.1 **the budget variances being forecast on the Schools Budget that total to an aggregate net forecast under spending of £0.006m, (paragraph 6.8);**
- 3.2 **that the accumulated year end balance for the Schools Budget General Reserve is forecast to be £0.666m, £0.006m above the minimum prudential level required to be maintained to safely manage in-year budget risks (paragraph 6.8 (ix));**
- 3.3 **progress to date on the Education Capital Programme, as summarised at Annex 2.**
- 3.4 **that further work is planned in respect of the school loan scheme and funding arrangements in place for Early Years providers.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 It is appropriate for the Schools Forum to be aware of, and where relevant, comment on these financial matters.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 Where relevant, these are set out in the supporting information.

6 SUPPORTING INFORMATION

2017-18 Monitoring of the Schools Budget (Revenue)

Approved budget

6.1 Budget proposals for the 2017-18 Schools Budget were approved by the Schools Forum at its meetings in January and March, and these were subsequently agreed by the Executive Member for Children, Young People and Learning as the initial budget. Members of the Forum will be aware that the Schools Budget is a ring-fenced account, fully funded by external income that can only be spent on defined education related duties.

6.2 The most significant income source to the Schools Budget is the Dedicated Schools Grant (DSG), which is paid by the Department for Education (DfE). The initial approved budget included £87.478m as the estimated amount of DSG. Other grant income of £9.244m was also expected from the Education and Skills Funding Agency (ESFA) for sixth forms, the Pupil Premium, Primary PE and Sports activities and the Universal Infant Free School Meals initiative. With £0.107m of general income also anticipated, there was originally expected to be £96.829m of income available to fund expenditure within the Schools Budget.

6.3 A number of adjustments have been required since the original budget was agreed as follows:

Schools Block:

- a) the Forum agreed that £0.180m should be drawn down from the Unallocated Schools Budget Reserve to ensure sufficient funding was available for all the budget proposals made by the council.

High Needs Block:

- b) the Forum also agreed that £0.093m should be drawn down from the SEN Resource Units Reserve to ensure sufficient funding was available for the anticipated running costs for the Rise@GHC Autistic Spectrum Disorder SEN Unit.

Items a) and b) have been added as budget additions, creating a net overall budget of £0273m.

Self-balancing virement:

- c) Following a request from the Council, the ESFA has recalculated the High Needs Block DSG to reflect the September 2017 closure of the SEN Unit at Ranelagh Academy, and this results in a £0.070m increase in grant income. This is a net nil budget adjustment as the increased income was anticipated in the original budget, and will be used to fund relevant expenditure budgets in the High Needs Block.

6.4 Overall, these changes result in an anticipated level of DSG of £87.548m with total funding of £97.172m. To ensure budgets correctly reflect anticipated spending

requirements, relevant adjustments have been made to the areas of the accounts that the changes relate to. Annex 1 sets out a summary budget statement, including these changes, with notes a) to c) above referenced to the relevant budget lines.

- 6.5 Other budget changes will be processed later in the year once further information and full reconciliations have been completed in respect of the academy school funding deduction from the DSG made by the EFSA to pay funding direct to relevant schools, and also a revised Early Years DSG allocation that will take account of actual participation rates on the free entitlement to early years education and childcare, including the September 2017 extension from 15 hours a week to 30 hours a week for eligible families.

Forecast budget variances

- 6.6 As part of the Council's Financial Regulations, the Schools Budget is subject to monthly budget monitoring. This involves forecasting likely expenditure and income through to the end of the year, identification of reasons for variations against original budgets, and where relevant, setting out options for management action. This process allows for a forecast year end level of balances to be calculated.
- 6.7 It is appropriate for the Forum to be aware of the current forecast year end balance as this may need to be taken into account when the 2018-19 budget is agreed, in particular in relation to ensuring that adequate funds are held in reserve to manage potential in-year cost pressures. Furthermore, it is likely that a number of variances identified this year will be on-going and will therefore need to be addressed in next year's budget.
- 6.8 Provisional budget monitoring information available at the end of June indicates that the Schools Budget will under spend by £0.006m this year. Clearly this is very early on in the financial year, with numerous spending decisions yet to be taken or trends established, so there is the potential for significant change over the coming months, particularly in relation to high cost, volatile High Needs budgets. Explanations of the significant changes anticipated from the current budget plan (+/- £0.020m) are set out below, with Annex 1 showing the overall Schools Budget at a summary level.

Schools Block - LA managed items:

De-delegated budgets:

- i. **Pupil behaviour - £0.028m under spend.** A £0.028m saving is forecast against staffing where there are a number of vacancies.
- ii. **Schools in Financial Difficulty - £0.028m under spend.** One allocation of £0.005m has been agreed to date under the Director's delegated powers. Making an allowance for potential further allocations to the end of the financial year, and support from School Improvement, HR and Finance indicates a potential under spending. This is a volatile budget.
- iii. **Official staff absences - £0.030m over spend.** The incidence of school staff taking maternity leave has increased compared to the same period last year. If the trend continues to the end of the year, an over spending will occur.
- iv. **English as an Additional Language - £0.027m over spend.** The service is experiencing a shortfall in income from academy schools for traded services. Additional staffing costs are also being incurred over the short term as a result of needing to recruit cover for a member of staff on maternity leave, which prevents making savings in the short term.

Other budgets:

- v. **Other Schools Block provisions and support services - £0.100m over spend.** The on-going school building programme that is required to deliver sufficient school places creates a pressure from increased rates liabilities for which there is no budget provision. The current calculation estimates a pressure in 2017-18 of £0.101m.

High Needs Block:

Members of the Forum will be aware that budget items vi. and vii. below represent the most unpredictable and volatile education budgets that the council is responsible for. Therefore, a significant amount of time is taken in their management. However, they remain subject to significant change at short notice which can result in large movements in cost forecasts. To help manage this volatility, a contingency for future cost increases of £0.085m is included in the forecasts. The contingency amount is reviewed each month and adjusted accordingly. Forecasts reported at this time for external pupil placements and top up funding from mainstream schools include confirmed costs for the summer term, with provisional amounts included for autumn and spring which are subject to change until all required placements and their costs are known.

- vi. **Delegated Special School Budgets - £0.047m under spend.** The latest schedule of actual top up payments agreed by the SEN Team, together with a forecast for future payments based on expected changes and previous trends indicates a £0.047m under spend.
- vii. **Maintained schools and academies – £0.049m over spend.** The latest schedule of actual top up payments agreed by the SEN Team, together with a forecast for future payments based on expected changes and previous trends indicates £0.049m over spend. This budget line includes the contingency for future cost increases of £0.085m for which at this time no spend has been incurred.
- viii. **Other SEN provisions and support services - £0.082m under spend.** The main change relates to a £0.046m saving at the Children's Resource Centre following bringing the service in house from the Action for Children contract. Most of the saving relates to the recharges previously made by AfC. There are a number of other relatively small variances across a wide number of budgets.

Balance on Unallocated Schools Budget Reserve:

- ix. Provisional budget monitoring information indicates that the Schools Budget will under spend by an aggregate £0.006m this year. There is an opening surplus amount of £1.779m in the Unallocated Schools Budget Reserve, which reduces by £0.180m after applying the agreed contribution to the 2017-18 budget. The Forum has previously agreed to transfer £0.5m of unallocated balances into the New school start-up / diseconomies Reserve and £0.439m into the SEN / NB Funding Initiatives Reserve which result in a forecast year end surplus on the Unallocated Schools Budget Reserve of £0.666m, which would be £0.006m above the £0.660m minimum level considered necessary to help manage in-year budget risks.

2017-18 Education Capital Programme

Approved budget

6.9 The current Education Capital budget approved by the council amounts to £45.417m, and comprises £23.531m of council funding, £0.717m from housing developers and £21.169m from various grants, of which £17.996m is DfE Basic Needs Grant (for delivery of school places). This represents a significant investment and funds:

- School place programme and Devolved Formula Capital £42.533m
- School Planned Maintenance £2.348m
- ICT projects £0.171m
- Other projects £0.365m

Annex 2 provides a summary of the approved schemes, including current progress and key targets.

Forecast budget variances

6.10 At this stage, spend of £34.118m is anticipated this financial year, with £11.300m slipping into 2018-19 to reflect the phasing of works. In respect of school projects, the follow highlights key achievements on the schemes delivering new school places:

- Development of new primary schools at Amen Corner North and South, Ascot Heath, TRL site in Crowthorne and Warfield East in progress
- Work commenced on Great Hollands Primary extension with final phase 3 now on site
- New Warfield West Primary School completed and open at September 2016
- Refurbishment work at Easthampstead and Sandhurst Secondary Schools commenced
- Redevelopment of Edgbarrow Secondary School awaiting approval from ESFA for specific grant funding
- Construction of Binfield Learning Village underway

6.11 No variances are being reported as in general, these are recycled within other schemes relating to providing additional school places through the governance of the Education Capital Programme Board, which has head teacher and Executive Member representation.

6.12 However, with the market continuing to tighten significantly and prices increasing, there is an on-going need for reviews of scope to remain within individual project budgets. At this stage, there is expected to be sufficient DfE grant funding and developer contributions plus the approved Council investment in Binfield Learning Village to fully finance the schemes required in the short term, with funding pressure expected to arise over the medium term.

6.13 Due to an urgent and pressing need to complete a substantial number of high cost roof repairs, the planned maintenance programme is also facing pressure in delivering all the works required within available funds. However, a small amount of funds is being held in reserve for emergency works. This pressure is expected to continue into the medium term.

Other matters

School loan scheme

- 6.14 The last meeting of the Forum received an update on school loan advances where it was confirmed that as at 1 April 2017, there was a net £0.738m of outstanding school loans which represents 39% of aggregate surplus balances. With the loan scheme having an outline cap at a maximum amount of advance of no more than 40% of total balances, and with aggregate surplus balances likely to continue to reduce, there is a strong possibility that this limit will be exceeded. A review of loan arrangements at other LAs shows that a range of different capping limits have been set from 20% to 50%. It has also subsequently been confirmed by the DfE that LAs in consultation with their Schools Forum are permitted to set their own threshold limit.
- 6.15 Proposals for any changes considered necessary to the loan scheme will be presented to the Schools Forum in October to consider whether they should be included in the autumn financial consultation with all schools.
- 6.16 The Schools Forum approves changes proposed by the Council to the loan scheme through its decision making responsibility on the content to be included in the Scheme for Financing Schools.

Early Years

- 6.17 In response to developments in national policy, a report to the Forum on 9 March 2017 agreed new Early Years Funding arrangements, which included a new funding formula for 3 and 4 year olds, funding for Special Educational needs and Disability Living Allowance and the budgets to be centrally managed by the Council. In recognition of the significant changes to the existing arrangements, there was a commitment to undertake a review of the impact on providers towards the end of 2017 and to consider whether any changes would be beneficial for the start of the 2018-19 financial year.
- 6.18 The review is proposed to initially take the form of a workshop in September, open to all providers in receipt of 3 and 4 year old funding, to gather their views and experiences of the funding arrangements. A workshop will allow for discussion and debate and offer providers the opportunity to suggest alternative arrangements and solutions to problems. The review will include the impact of the 30 hours extended entitlement on funding arrangements. Feedback from the review will be used to inform the decision of whether to make further changes to the funding arrangements, with any proposals subject to consultation with all interested parties, which if required, is expected to take place in November. This would be a separate consultation to the general financial consultation with schools.

Next steps

- 6.19 Budget monitoring will continue and any emerging issues will be incorporated into budget proposals and presented to the Forum at the appropriate time.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal provisions have been considered within the main body of the report.

Borough Treasurer

- 7.2 The financial implications arising from this report are set out in the supporting information.

Equalities Impact Assessment

- 7.3 There are no specific impacts arising from this report.

Strategic Risk Management Issues

- 7.4 There are a number of risks associated with managing these revenue and capital budgets:

- financial and economic factors, in particular the need to maintain services whilst achieving significant savings;
- the impact of demand led services and the need to forecast changes and reshape service delivery to meet changing needs;
- staffing and the need to recruit, train and retain staff with the relevant skills and expertise;
- IT infrastructure availability and information accuracy;
- failure to design, monitor and control the implementation of major programmes and projects;
- effective safeguarding of children;
- effective maintenance of assets;
- working effectively with partners, residents, service users, the voluntary sector and local businesses;
- impact of litigation and legislation;

The budget includes resources sufficient to enable the Council to monitor these key risks and where possible to minimise their effects on services. Specific risk reduction measures included as part of budget monitoring are:

- A robust system of budgetary control with regular reporting to CYPL Departmental Management Team and the Corporate Management Team
- Quarterly Service Reports (QSR's) to Members
- Exception reports to the Executive

8 CONSULTATION

- 8.1 Not applicable.

Background Papers

None.

Contact for further information

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**2017-18 PROVISIONAL BUDGET MONITORING STATEMENT FOR THE
SCHOOLS BUDGET AS AT THE END OF JUNE 2017**

Service Area	Approved Budget			Note	Estimated Variance			Note
	Spend	Income	Net		Under spending	Over spending	Net variance	
	£000	£000	£000		£000	£000	£000	
Schools Block								
Delegated Mainstream School Budgets	72,251	0	72,251	a	0	0	0	
School Grant income	0	-8,739	-8,739		0	0	0	
Schools Block	72,251	-8,739	63,512		0	0	0	
LA managed items:								
Retained de-delegated Budgets:								
<i>Behaviour</i>	301	-7	294		-31	3	-28	i
<i>Schools in Financial Difficulty</i>	244	0	244		-28	0	-28	ii
<i>Official Staff Absences</i>	311	0	311		0	30	30	iii
<i>English as an Additional Language</i>	117	0	117		0	27	27	iv
<i>PRC / Licence Fees / FSM checking</i>	307	0	307		0	15	15	
Combined Service Budgets:								
<i>Education Attainment and School Transport for LAC</i>	176	0	176		-13	0	-13	
<i>Family Intervention Project / Domestic Abuse</i>	106	0	106		-4	0	-4	
<i>CAF Co-ordinator</i>	42	0	42		0	0	0	
<i>SEN Contract Management</i>	33	0	33		-7	1	-6	
<i>Education Health / Sport</i>	48	0	48		0	0	0	
Statutory and Regulatory Duties	542	0	542		0	0	0	
Other Schools Block provisions and support services	843	0	843		-3	103	100	v
LA managed items:	3,070	-7	3,063		-86	179	93	
Sub total Schools Block	75,321	-8,746	66,575		-86	179	93	
High Needs Block								
Delegated Special Schools Budgets	3,764	-7	3,757		-47	0	-47	vi
Post 16 SEN and other grants	0	-505	-505		0	0	0	
Maintained schools and academies	2,997	0	2,997	b	-161	210	49	vii
Non Maintained Special Schools and Colleges	5,735	0	5,735	c	-223	213	-10	
Education out of school	1,251	-3	1,248		-9	3	-6	
Other SEN provisions and support services	1,599	0	1,599		-126	44	-82	viii
Sub total High Needs Block	15,346	-515	14,831		-566	470	-96	
Early Years Block								
Free entitlement to early years education	6,239	-3	6,236		0	0	0	
Other Early Years provisions and support services	266	-87	179		-8	1	-7	
Sub total Early Years Block	6,505	-90	6,415		-8	1	-7	
Dedicated Schools Grant	0	-87,548	-87,548	c	0	4	4	
TOTAL - Schools Budget	97,172	-96,899	273		-660	654	-6	
Note on Unallocated Schools Budget balance:								
Opening unringfenced balance on Schools Budget							-1,779	
2017-18 forecast in-year net variance							-6	
Planned use of Reserves in setting 2017-18 budget							180	
Transfers to Earmarked Reserves agreed by Schools Forum:								
New school start-up / diseconomies							500	
SEN / HNB Funding Initiatives							439	
Net forecast unallocated balance at 31 March 2018							-666	
Amount above £0.66m minimum prudential level of balances							-6	ix

See paragraphs 6.3 and 6.8 for an explanation to the notes

Unrestricted

CAPITAL MONITORING 2017/18

Dept: Children, Young People and Learning

As at 30 June 2017

Cost Centre Description	Approved Budget £000's	Cash Budget 2017/18 £000's	Expenditure to Date £000's	Estimated Outturn 2017/18 £000's	Carry Forward 2017/18 £000's	(Under) / Over Spend £000's	Next Target / Explanatory Note	Current status of the project / notes
SCHOOL PROJECTS								
Binfield Learning Village	27,311.2	26,337.4	3,551.5	26,337.4	973.8	0.0	On site	On site and on programme for opening in Sep-18
Village	27,311.2	26,337.4	3,551.5	26,337.4	973.8	0.0		
Fees	360.0	360.0	28.5	360.0	0.0	0.0	To be fully spent by March 2018	To be allocated to projects
Basic Need Grant for Allocation	6,348.8	0.0	0.0	0.0	6,348.8	0.0	Unallocated grant	Unallocated grant to be c/f to fund future years' projects
Devolved Capital and other funds held by schools	704.2	332.6	62.1	332.6	371.6	0.0	On-going	In progress
Section 106 Developer Contributions	250.0	250.0	0.0	250.0	0.0	0.0	To be allocated to projects	Allocated to projects
Other Schools Related Capital	7,303.0	582.6	62.1	582.6	6,720.4	0.0		
SCHOOL PROJECTS	42,533.4	31,634.8	4,323.3	31,634.8	10,898.6	0.0		
Percentages			13.7%	100.0%		0.0%		
CAPITAL MAINTENANCE/ CONDITION								
Planned works	2,348.0	2,048.0	134.2	2,048.0	300.0	0.0	In progress.	Forecast c/f is largely committed.
ROLLING PROGRAMME	2,348.0	2,048.0	134.2	2,048.0	300.0	0.0		
Percentages			6.6%	100.0%		0.0%		
OTHER PROJECTS								
Integrated Children's Services	40.1	40.1	34.7	40.1	0.0	0.0	Go live Sep-16	Go live date met. Reporting module postponed to 2017/18.
CP-IS Project	80.0	80.0	22.0	80.0	0.0	0.0	Mar-18	In progress
Capita One (EMS) Upgrade	1.6	1.6	0.0	1.6	0.0	0.0	Mar-18	Solus upgrade completed. Remaining project elements deferred.
CSC ICT Mobile Working	49.7	49.7	0.0	49.7	0.0	0.0	Sep-17	Awaiting new tablets and hybrids.
ICT projects	171.4	171.4	56.7	171.4	0.0	0.0		
Youth Facilities	95.3	95.3	0.0	95.3	0.0	0.0	Mar-17	Planning for modernisation and ongoing restructuring of the Youth Service.
Multi Agency Safeguarding Hub	4.3	0.0	0.0	0.0	4.3	0.0	Complete	ICT and accommodation fully delivered.
Places for 2 year olds	49.7	18.5	0.0	18.5	31.2	0.0	Mar-18	Portal delivered. Project for remainder of works in planning stage.
Priestwood Guide Centre	68.3	2.6	2.2	2.6	65.7	0.0	In progress	Works in train. Toilets/cloakroom complete. Roofing works in train.
Additional 30 Hours - 3-4 Year Olds	147.1	147.1	136.7	147.1	0.0	0.0	In progress	Completion expected by September 2017.
Other	269.4	168.2	138.9	168.2	101.2	0.0		
OTHER PROJECTS	536.1	434.9	195.6	434.9	101.2	0.0		
Percentages			45.0%	100.0%		0.0%		
TOTAL CAPITAL PROGRAMME	45,417.5	34,117.7	4,653.1	34,117.7	11,299.8	0.0		
Percentages			13.6%	100.0%		0.0%		