

TO: SCHOOLS FORUM
DATE: 14 JULY 2011

2010-11 PROVISIONAL OUTTURN ON THE SCHOOLS BUDGET
Director of Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform members of the Schools Forum on the provisional outturn on the 2010-11 Schools Budget.

2 RECOMMENDATIONS

That the Schools Forum:

- 2.1 **NOTES the outturn expenditure for 2010-11, subject to audit, of £67.560m, which represents an under spend of £1.549m compared to the approved budget (paragraph 5.2);**
- 2.2 **NOTES the current balances within the Schools Budget and other specific earmarked reserves (Table 1);**

3 REASONS FOR RECOMMENDATIONS

- 3.1 **The recommendations are intended to inform the Schools Forum of financial performance against budget in the 2010-11 financial year.**

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not appropriate.

5 SUPPORTING INFORMATION

2010-11 Schools Budget Revenue Expenditure

- 5.1 The Schools Forum approved a draft revenue budget for the 2010-11 Schools Budget of £65.142m. This was to be funded from the estimated amount of Dedicated Schools Grant (DSG) income that would be received from the DfE, other grants, and the accumulated surplus balance on the Schools Budget. Subsequent to this decision, and using the latest available information, the Executive Member approved expenditure of £65.145m.

Provisional Outturn Position

- 5.2 The provisional final accounts indicate expenditure in the Schools Budget of £67.650m, an under spend by £1.549m. This comprises over spendings of £0.651m against approved budget allocations and under spendings of £2.200m. These figures remain subject to change, pending external audit, although no significant movement is anticipated.
- 5.3 An explanation of the main changes from the approved budget plan are as follows:
- i. **Delegated School Budgets - £1.160m under spend.** This is the change in balances during the year that are directly under the control of schools and funded through the Council's Funding Formula for Schools. This excludes any items funded through the Standards Fund grant. More information on school balances is provided on a separate report on this agenda.
 - ii. **SEN provisions and support services - £0.300m under spend.** The most significant element of the under spending was £0.197m on external placements for pupils with SEN. This reflects a small reduction in the number of pupils placed compared to those anticipated when the budget was set. There was a further £0.051m saving on the Teaching and Support Service, mainly as a result of holding posts vacant during a restructure in the Team. Other minor variances occurred across the range of support services.
 - iii. **Education out of school - £0.066m over spend.** The majority of the over spending relates to College Hall Pupil Referral Unit, with much of this related to difficulties in recruiting and retaining suitable staff. This resulted in an additional £0.030m spend on staff advertising and staff retention allowance payments. Furthermore, home tuition costs exceeded budget by £0.020m.
 - iv. **Pupil behaviour - £0.049m under spend.** The Primary Resource Centre, which mainly provides support and advice to primary schools on pupil behaviour, under spent by £0.040m. This was achieved due to the secondment of staff to the grant funded Family Intervention Programme.
 - v. **School staff absence and other items - £0.258m over spend.** A number of variances occurred across a range of services that support schools with the main over spendings comprising £0.164m on one-off redundancy costs in schools following staffing restructures, £0.141m on the schools contingency which incurred higher than expected claims for increased pupil numbers and changes in the number and needs of SEN pupils, and £0.054m in back dated increases in school rates liabilities. These have been partially offset by savings, the most significant of which are £0.037m on ICT license fees and £0.024m on support to recruitment and retention in schools.
 - vi. **Combined Service Budgets - £0.099m under spend.** These budgets support the every child matters agenda and when combined with budgets for similar services that are funded by the Council can result in a greater overall impact. During the year there were three budgets that comprised the majority of the under spending; school transport for looked after children was £0.029m below budget as pupil needs changed; the SEN contract monitoring post remained vacant saving £0.030m; and refunds were received from the Margaret Wells Furby

- Children's Resource Centre for £0.042m for the Council's share of surpluses accumulated over a number of years.
- vii. **Standards Fund LEA Managed - £0.061m over spend.** This relates to funding the transitional costs arising from implementing the new broadband and internet contract for schools where there has been a need for both services to be provided as the infrastructure for the new contract is fully installed. The transitional period will continue into 2011-12.
 - viii. **DSG – change from original estimate - £0.328m additional income.** The DfE confirmed DSG grant income at £65.457m, an increase of £0.328m on the amount assumed when the budget was set in March. In setting the budget, to reflect the volatile, high cost budgets to be managed, £0.240m was deducted from the estimated amount of DSG to cover potential in-year budget pressures. Therefore, the final DSG was £0.088m higher than estimated. This equates to 22 children, and arose mainly from the assumptions for early years pupils where more full time attendance was ultimately provided than anticipated when estimates were made.
 - ix. **Balance from 2009-10 - £0.016m over spend.** When the budget was set for 2010-11, it was assumed that £0.016m would be required from accumulated balances to fund total expenditure. This compared to an actual surplus balance of £0.139m.

Annex A sets out the full Schools Budget at a summary level, with the above notes referencing to the appropriate lines with budget variances.

Balances and reserves

- 5.4 As part of the financial planning process, the Council considers the establishment and maintenance of reserves and balances. Earmarked Reserves are sums of money which have been set aside for specific purposes and a number have been created that relate to the Schools Budget. Each year these reserves can have funds added or deducted depending on the financial performance and the purposes for which they were created. Table 1 below summarises the current position on each Reserve, with Annex B providing details regarding their purpose.

Table 1: Earmarked reserves related to the Schools Budget

Reserve	Balance 1-Apr-2010 £ 000	Movement in year £ 000	Balance 31-Mar-2011 £ 000
<u>School Balances:</u>			
Primary	-886	-352	-1,238
Secondary	-696	-657	-1,353
Special	-34	-151	-185
	-1,616	-1,160	-2,776
<u>Family Tree Reserve</u>			
Family Tree Nursery Reserve	-110	0	-110
	-110	0	-110
<u>Discretionary Schools Budget Carry Forwards</u>			
Crownwood LAL	-11	0	-11
College Hall PRU	-187	66	-122
	-198	66	-133
<u>Unused Schools Budget Balance</u>			
Unallocated Schools Budget	-139	-455	-595
	-139	-455	-595
Total earmarked reserves	-2,063	-1,549	-3,614

- 5.5 The movement in year column from Table 1 reconciles to the net variance for the year at Annex A at £1.549m. The £1.160m under spending on delegated and devolved funding has been transferred into the school balances reserve. After this transfer, there remains a net credit of £0.389m. The £0.066m over spending on Education out of school has been financed through a transfer from the accumulated surplus balance at College Hall Pupil Referral Unit, which is part of the Discretionary Schools Budget Carry Forwards Reserve. This increases the net unused balance on the Schools Budget to £0.455m, which has been transferred into the Unused Schools Budget Reserve.
- 5.6 Table 1 above shows that the accumulated unused balance on the Schools Budget totals £0.595m. This funding can only be used to support expenditure in the Schools Budget. In setting the 2011-12 Schools Budget, it was agreed that £0.230m of balances could be spent. A further £0.100m of the balance was set aside to meet potential one-off redundancy costs, however, at this stage no schools have indicated the need to make redundancies. Therefore, up to £0.365m of the Schools Budget balance remains unallocated.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the body of the report.

Borough Treasurer

- 6.2 The financial implications arising from this report are set out in the supporting information. The budget variances were reviewed during the year and where appropriate, were built into the 2011-12 budget.

Equalities Impact Assessment

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

Strategic Risk Management Issues

- 6.4 There are no specific strategic risk management issues arising from this report.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Not applicable.

Method of Consultation

- 7.2 Not applicable.

Representations Received

- 7.3 Not applicable.

Background Papers

2010-11 provisional final accounts

Contact for further information

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2010-11 PROVISIONAL OUTTURN STATEMENT FOR THE SCHOOLS BUDGET							
	Approved Budget			Estimated Variance			Note
	Expenditure	Income	Net	Under spending	Over spending	Net variance	
	£000	£000	£000	£000	£000	£000	
<u>Delegated and devolved funding</u>							
Delegated School Budgets	58,982	0	58,982	-1,160	0	-1,160	i
Standards Fund Devolved (gross)	4,007	0	4,007	0	0	0	
Other School Grants	-9,232	0	-9,232	0	0	0	
	53,757	0	53,757	-1,160	0	-1,160	
<u>LEA managed items</u>							
SEN provisions and support services	6,822	-1,032	5,790	-333	33	-300	ii
Education out of school	1,025	-12	1,013	66	0	66	iii
Pupil behaviour	529	-2	527	-50	1	-49	iv
School staff absence and other items	816	-20	796	-264	522	258	v
Combined Service Budgets	882	-356	526	-117	18	-99	vi
Early Years provisions and support services	4,873	-2,213	2,660	-10	0	-10	
Support to schools in financial difficulty	5	0	5	-4	0	-4	
Standards Fund LEA Managed	400	-329	71	0	61	61	vii
	15,352	-3,964	11,388	-712	635	-77	
Net approved expenditure			65,145				
Dedicated Schools Grant	0	-65,129	-65,129	-328	0	-328	viii
Brought forward from 2009-10	0	-16	-16	0	16	16	ix
TOTAL - Schools Budget	69,109	-69,109	0	-2,200	651	-1,549	

See paragraph 5.3 for an explanation to the notes

Earmarked reserves relating to the Schools Budget

Reserve	Purpose	Policy	Value
School Balances	These funds are used to support future expenditure within the Schools Budget and include individual school balances.	Balances are permitted to be retained by Schools under the Schools Standards & Framework Act 1998. Policies are set and the reserves are managed by schools and the LA has no practical control over the level of balances.	March 08 £1.619m March 09 £1.899m March 10 £1.617m March 11 £2.776m
Family Tree Nursery	A reserve created following the agreement to set up of a self funding Nursery. It holds the specific grant income received in advance and is used to manage future fluctuations in fee income from ongoing trading.	Although the Nursery has now been closed there may still be some one-off costs to be met in 2011/12.	March 08 £0.074m March 09 £0.112m March 10 £0.110m March 11 £0.110m
Discretionary Schools Budget Carry Forwards	The statutory requirement to carry forward school balances has been extended to cover those held for the Language & Literacy Unit, Pupil Referral Units and the Schools Specific Contingency as set out in the financial regulations.	Budget Carry Forwards are permitted in accordance with the scheme set out in financial regulations.	March 08 £0.092m March 09 £0.172m March 10 £0.198m March 11 £0.133m
Unused Schools Budget Balance	The Schools Budget is a ring fenced account, fully funded by external grants, the most significant of which is the Dedicated Schools Grant. Any under or overspending remaining at the end of the financial year must be carried forward to the next year's Schools Budget.	This reserve is held for specific accounting reasons. The funds in this reserve are ring fenced and cannot be used for any other purpose.	March 08 -£0.157m March 09 £0.360m March 10 £0.139m March 11 £0.595m