

TO: SCHOOLS FORUM
DATE: 8 DECEMBER 2011

**THE SCHOOLS BUDGET – 2011-12 BUDGET MONITORING
AND OTHER FINANCIAL MATTERS
(Director of Children, Young People and Learning)**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update or seek comments from members of the Schools Forum on:
- i. the 2011-12 forecast budget monitoring position for the Schools Budget as at the end of October;
 - ii. the current budget monitoring forecast that indicates £0.9m of funding is available to invest in the current financial year, on a one-off basis;
 - iii. the revised criteria proposed to be used to fund schools experiencing significant in-year growth in pupil numbers;
 - iv. changes made by the Department for Education (DfE) to the initial per pupil funding rates for the Pupil Premium.

2 RECOMMENDATIONS

That the Schools Forum:

- 2.1 **NOTES the budget variances being forecast on the 2011-12 Schools Budget that in total aggregate to a net under spending of £1.3m (paragraph 5.3);**
- 2.2 **NOTES that the forecast year end under spend indicates that approximately £0.9m of funds are available for one-off investments in the current financial year and that proposals for its use will be brought to the February meeting of the Forum (paragraphs 5.8 and 5.9);**
- 2.3 **AGREES to adopt the criteria at Annex A to fund schools experiencing significant in-year growth in pupil numbers (paragraph 5.3 iv);**
- 2.4 **NOTES that schools in Bracknell Forest will receive an additional £0.071m of Pupil Premium Grant as a result of the DfE increasing the basic per pupil funding amount from £450 to £458 (paragraph 5.13).**

3 REASONS FOR RECOMMENDATIONS

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

4 ALTERNATIVE OPTIONS CONSIDERED

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

5 SUPPORTING INFORMATION

2011-12 Budget Monitoring

- 5.1 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.
- 5.2 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 2012-13 budget is agreed. It is also possible that a number of variances identified this year will be on-going, and will therefore need to be addressed in next year's budget.
- 5.3 Provisional budget monitoring information available at the end of October indicates that the Schools Budget will under spend by £1.3m this year, which confirms the verbal update provided at the last meeting of the Forum of the expectation that a significant under spending would be reported at this meeting. This forecast variance comprises an under spend of £0.475m against approved budget allocations, additional income of £0.460m against the original estimate made for Dedicated Schools Grant (DSG) income and a further £0.365m additional income as a result of the 2010-11 under spend being greater than the amount anticipated when the budget was agreed in March.

Brief explanations of the significant changes anticipated from the current budget plan are as follows:

- i. **SEN provisions and support services - £0.014m under spend.** The latest costed schedule of SEN pupil placements indicates a year end over spending of £0.058m. This is offset by under spendings on associated support services and results in a relatively small year end net under spend. Costs are still subject to change in the light of pupil movements, including those currently anticipated for January but not yet confirmed.
- ii. **Education out of school - £0.029m over spend.** As previously reported to the Forum, legislation has been amended to increase the minimum level of support that must be provided to pupils not attending school for medical reasons or who are 'school phobics'. This was confirmed after the budget was set and is expected to result in additional expenditure of £0.030m.
- iii. **Pupil behaviour - £0.031m under spend.** Staff vacancies will result in an under spending, mainly as a result of the resignation of the Head of the Behaviour and Education Support Team.
- iv. **School staff absence and other items - £0.048m under spend.** A number of variances are projected across a range of services that support schools with the main under spending arising on the Schools Specific Contingency at £0.084m. Within this contingency, a £0.067m

over spending is expected on additional SEN costs, which is offset by a £0.050m saving on lower than expected growth allowances that are awarded to schools facing significant increases in pupils and a £0.074m under spending on the number of 3 and 4 year olds receiving childcare and education. The main areas of over spending relate to an additional £0.033m payable on business rates at schools following revaluations and recent building works and £0.031m on the broadband contract for schools during the period that two networks need to be supported as schools transfer from the old provision to the new.

In respect of significant in-year growth in pupil numbers, a change is proposed to the allocation criteria to make clear that this should not apply to new schools experiencing rapid expansion in pupil numbers when the budget has been set on an estimated full cost basis outside the normal operation of the Funding Formula. This change is required to prevent such schools being over funded. The Forum is proposed to agree that from September 2011 the text set out at Annex A be used for funding schools for significant in-year growth in pupil numbers.

- v. **Combined Service Budgets - £0.077m under spend.** There are two main variances in this area of the budget. Transport costs associated with maintaining looked after children in Bracknell are expected to under spend by £0.047m from a reduction in the required number of journeys, with a £0.017m saving on Margaret Wells Furby Children's Resource Centre which provides support and advice to disabled children and their families including medical support, occupational therapy, physiotherapy, speech and language therapy and parent support groups.
- vi. **Early Years provisions and support services - £0.180m under spend.** This significant under spending arises as a consequence of the withdrawal of the Standards Fund grant programme. Part of this grant was allocated for childcare and education for 3 and 4 year olds, to be spent between April 2010 and the end of August 2011. Due to actual take up in 2010-11 being lower than the numbers assumed in the grant allocation made by the DfE, the 2010-11 year end under spending of £0.180m has been carried forward into the 2011-12 financial year and will be used to fund expenditure which was originally expected to be met from the Dedicated Schools Grant.
- vii. **Support to schools in financial difficulty - £0.154m under spend.** The Schools Forum has previously agreed an allocation of £0.150m from the £0.304m budget. No further allocations are expected to be required this year, resulting in the £0.154m under spending.
- viii. **DSG – change from original estimate - £0.328m additional income.** As previously reported to the Forum, the DfE has confirmed that the final DSG allocation for 2011-12 will be £75m, which is £0.476m more than assumed in the budget. In setting the budget, an allowance of £0.219m was made for the possible over estimation of pupil numbers and to cover potential in-year increases in the volatile, high cost budgets that the LA manages, mainly around special educational needs. Adjusting for this provision means that the DSG was under estimated by £0.257m. This difference is generally accounted for from a funding adjustment for low take-up of the free entitlement to early years education for 3 years. The DfE had originally consulted on the proposal to remove this adjustment, but was not ultimately implemented, but the final calculation by the Council was not updated for this late change.

Furthermore, Ranelagh converted to an academy from August and the DfE will now recoup money from service budgets managed by the Council for all schools, to pass on to Ranelagh which will then, for the first time, be responsible for their provision. This has been confirmed at £0.016m.

In addition to the impact on centrally managed budgets from Ranelagh's academy conversion, adjustments are required in the budget to reflect the part year effect of these changes. Delegated School Budgets reduce to reflect the ending of Council managed funding at the school, with a compensating reduction in Dedicated Schools Grant income. Ranelagh is now funded through the Young People's Learning Agency which receives the relevant share of Dedicated Schools Grant instead of the Council. The budget statement reflects a £2.16m budget transfer for this.

- ix. **Under spend brought forward from 2010-11 - £0.365m additional under spend.** The final accounts for 2010-11 resulted in an under spend of £0.595m compared to the £0.230m estimated when the budget was set. This was reported to the Forum in July 2011.

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

Proposed use of forecast under spending

- 5.4 When the Schools Budget under spends, the DfE allows LAs and School Forums to consider the following options for use of the DSG.
1. Make proposals to carry forward funding into the following financial year;
 2. Make proposals to increase individual school budgets in the current year;
 3. Make proposals to increase centrally managed expenditure in the current year.
- 5.5 In making decisions, the Forum especially needs to consider whether these will result in any additional on-going costs in 2012-13. This is in the context of the public expenditure cuts and the provisional funding gap calculated for 2012-13 of £2.014m, which is considered in more detail on a separate agenda item.
- 5.6 Therefore, to help manage down next year's budget gap, it is proposed to set aside £0.4m to help finance on a one-off basis expenditure that will occur in 2012-13, with the remaining £0.9m allocated to new one-off investments that will not create on-going pressures into 2012-13. Using £0.4m from balances represents an increase of £0.170m compared to the amount applied from balances in the current year and therefore reduces the provisional funding gap from the £2.014m set out in paragraph 5.5 to £1.844m.
- 5.7 It is not recommended to use more than £0.4m from balances in any one year as this is the maximum amount of one-off funding that should be applied to the budget to finance on-going costs. This is because funding from balances is only available for one year and results in a corresponding reduction in available resources in the following year once the money has been spent.

- 5.8 Setting aside £0.4m to be carried forward into 2012-13 leaves an estimated under spending for the year of £0.9m. This is a significant sum and presents a rare opportunity to consider invest to save type projects that usually need pump priming funding to become established during periods when dual provisions may be required, or to pilot new initiatives to determine their expected impact before any proposals for permanent funding are made.
- 5.9 The LA is in the process of evaluating a number of projects that may deliver long term financial and other benefits to the Schools Budget, in particular around the development of new SEN Resource Units, which are stand alone establishments where pupils with the same special needs receive small group teaching, specialist therapy and support in the mainstream classroom, and new provision for pupils at risk of exclusion who would receive specialist support away from the school but still be on the school roll. Both of these areas were highlighted as potential developments by schools in the recent financial consultations and full business cases need to be developed, including any required capital investments, before any spending proposals are presented to the Forum for consideration, which is expected to be in February 2012.
- 5.10 As well as any potential new expenditure on invest to save type initiatives as set out above, it is also expected that there will be significant funding available to make one-off in year allocations to schools and Early Years providers in the private, voluntary and independent (PVI) sectors to be spent in accordance with the priorities of school governors and providers.

Update on Pupil Premium

- 5.11 On 12 October, the DfE announced "that this year's Pupil Premium for disadvantaged pupils has been increased from £430 to £488; an additional £58 per pupil. The money has been released because fewer children than expected have registered for Free School Meals and fulfils the Government's commitment to allocate £625m to the pupil premium this year. Children who have been looked after by local authorities for more than six months will also qualify for the Pupil Premium at the higher rate. The funding premium for children of service families will remain at £200 per pupil for 2011-12.
- 5.12 DfE conditions of grant documentation confirms that "The [Pupil Premium] grant may be spent by maintained schools for the purposes of the school; that is to say for the educational benefit of pupils registered at that school, or for the benefit of pupils registered at other maintained schools; and on community facilities i.e. services whose provision furthers any charitable purpose for the benefit of pupils at the school or their families, or people who live or work in the locality in which the school is situated. The grant does not have to be completely spent by schools in the financial year beginning 1 April 2011; some or all of it may be carried forward to future financial years."
- 5.13 This change in unringfenced funding will result in Bracknell Forest Schools receiving £0.652m in Pupil premium Grant, an increase of £0.071m compared to the amount due from the originally announced per pupil funding rates.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

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

Borough Treasurer

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

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

Provisional October budget monitoring report

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Criteria for in-year budget allocations to schools experiencing significant growth in pupil numbers

Subject to annual budget decisions, the School Specific Contingency shall include funding for allocation to those schools that experience exceptional increases in pupil numbers between the January census used for funding original budgets and actual pupil numbers on roll at the first census undertaken following admissions at the start of the next financial year.

To assist schools in meeting the additional costs arising in such circumstances, an in-year budget addition will be made where the whole school number on roll from year 1 up to Year 11 increases up to the point that a new teacher needs to be appointed. An increase of 20 pupils has been established as the relevant threshold point at which additional funding would be allocated. A second allocation would be made should numbers increase by 40 and so on, with further funding allocations for each additional increase above the 20 threshold.

The amount of additional funding is calculated from the cost of appointing a teacher on Mainscale Point 6 – salary and employer on-costs - for the period September to March.

There is one exception to this general rule. When a school is funded on the basis of estimated actual costs, which is ordinarily a new school or one that opens additional forms of entry during a financial year, it will not be entitled to any in-year growth allowances, provided the initial budget allocation included funds for the additional costs that would arise from a planned significant in year increase in pupil numbers.

Deductions will not be made in-year against schools experiencing reductions in pupil numbers.

BUDGET MONITORING STATEMENT FOR THE SCHOOLS BUDGET - OCTOBER 2011							
	Approved Budget			Estimated Variance			Note
	Expenditure	Income	Net	Under spending	Over spending	Net variance	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	
<u>Delegated and devolved funding</u>							
Delegated School Budgets	65,030	0	65,030	0	0	0	
Other School Grants	-5,248	0	-5,248	0	0	0	
	59,782	0	59,782	0	0	0	
<u>LEA managed items</u>							
SEN provisions and support services	6,631	-985	5,646	-136	122	-14	i
Education out of school	1,014	-3	1,011	-1	30	29	ii
Pupil behaviour	534	-7	527	-42	11	-31	iii
School staff absence and other items	1,672	-20	1,652	-134	86	-48	iv
Combined Service Budgets	591	0	591	-78	1	-77	v
Early Years provisions and support services	3,092	-12	3,080	-184	4	-180	vi
Support to schools in financial difficulty	305	0	305	-154	0	-154	vii
Standards Fund LEA Managed	0	0	0	0	0	0	
	13,839	-1,027	12,812	-729	254	-475	
Dedicated Schools Grant	0	-72,364	-72,364	-460	0	-460	viii
Underspend brought forward from 2010-11	0	-230	-230	0	-365	-365	ix
TOTAL - Schools Budget	73,621	-73,621	0	-1,189	-111	-1,300	

See paragraph 5.3 for an explanation to the notes.