

TO: SCHOOLS FORUM
DATE: 19 JULY 2012

**2011-12 PROVISIONAL OUTTURN ON THE SCHOOLS BUDGET
AND OTHER RELEVANT MATTERS
(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 2011-12 Schools Budget and to confirm the level of Dedicated Schools Grant (DSG) to be received in 2012-13.

2 RECOMMENDATIONS

That the Schools Forum NOTES:

- 2.1 **That the outturn expenditure for 2011-12, subject to audit, shows spend of £75.476m which is £2.366m less than the approved budget (paragraph 5.3);**
- 2.2 **The current balances on specific earmarked reserves within the Schools Budget amount to £5.98m (Table 1, paragraph 5.7);**
- 2.3 **That the DSG for 2012-13 has now been confirmed at £76.487m, £0.387m above the amount included in the budget and £0.058m more than that originally anticipated (paragraph 5.10).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 **The recommendations are intended to inform the Schools Forum of financial performance against budget in the 2011-12 financial year and confirmed DSG income for 2012-13.**

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not appropriate.

5 SUPPORTING INFORMATION

2011-12 Schools Budget Revenue Expenditure

- 5.1 In March 2011, the Schools Forum approved a draft Schools Budget for 2011-12 of £74.675m. This was to be funded from the estimated amount of DSG income that would be received from the DfE (£74.445m) and the accumulated surplus balance on the Schools Budget (£0.230m).

- 5.2 Subsequent to this decision, and using the latest available information for the DSG calculation, the Executive Member approved expenditure of £74.754m. This figure was further updated to £77.842m by adding £5.248m to reflect sixth form grant income from the Young Peoples Learning Agency (YPLA), with a £2.160m deduction in respect of the conversion of Ranelagh to an academy school, with funding thereafter paid directly to Ranelagh by the YPLA and not through the council's accounts.

Provisional Outturn Position

- 5.3 The provisional final accounts include net expenditure in the Schools Budget of £75.476m, an under spend by £2.366m. This comprises over spendings of £1.041m against approved budget allocations and under spendings of £3.407m. These figures remain subject to change, pending external audit, although no significant movement is anticipated.
- 5.4 An explanation of the main changes from the approved budget plan are as follows:
- i. **Delegated School Budgets - £1.756m 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. They are earmarked to individual schools for use in subsequent years.
Note: whilst the transfer to school reserves is £1.756m, the real level of in-year increase is £0.784m as £0.972m of under spendings were financed from the Standards Fund Grant, which has subsequently been mainstreamed into the DSG and is no longer paid as a separate grant. Mainstreaming the Standards Fund into delegated budgets creates a one-off transfer to school reserves. More information on school balances is provided on a separate report on this agenda.
 - ii. **SEN provisions and support services - £0.065m over spend.** The most significant element of over spending relates to the cost of external placements for pupils with SEN where spend was £0.141m above budget. This reflects a small increase in the number of pupils placed compared to those anticipated when the budget was set. This was partially offset by savings of £0.060m saving on the Teaching and Support Service, mainly as a result of holding posts vacant during a restructure in the Team, together with reduced premises costs. Other minor variances occurred across the range of support services.
 - iii. **Education out of school - £0.066m over spend.** There are two main variances; additional costs were incurred to meet the new statutory requirements around supporting pupils out of school, which amounted to £0.030m; and a £0.036m over spend on the costs of home tuition.
 - iv. **Pupil behaviour - £0.045m under spend.** There was a £0.028m under spend at the Behaviour Support Team, mainly on staffing, as a result of the Head of Service retiring and the post temporarily held vacant. Other minor variances occurred across the range of other support services.
 - v. **School staff absence and other items - £0.009m under spend.** A number of variances occurred across a range of services that support schools, of which the most significant comprised £0.035m under spending on the school contingency, mainly from less in-year allocations to Kennel Lane than anticipated; an £0.018m under

spending on official school staff absences; a £0.037m over spending on school rates, following revaluations as a result of the school building programme; and £0.031m over spend on implementing the new broadband and internet service for schools during the transition from one provider to another.

- vi. **Combined Service Budgets - £0.052m 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 and educational benefit. Support to looked after children under spent by £0.035m, mainly from reduced school transport costs, with £0.17m under spending at the Margaret Wells Furby Children's Resource Centre as a result of a requiring a lower level of service delivery than allowed for in the budget.
- vii. **Early Years provisions and support services - £0.253m under spend.** £0.184m of the under spending relates to a Standards Fund grant to support early years provisions which when the budget was set, was expected to be repaid to the DfE and not be available to carry forward into 2011-12. The remaining under spend results from a lower level of take up of the free entitlement to education and child care than provided for in the budget.
- viii. **Support to schools in financial difficulty – £0.154m under spend.** As previously reported to the Forum, only one school qualified for support from the financial difficulties budget, resulting in a £0.154m under spend.
- ix. **DSG – change from original estimate - £0.328m additional income.** The DfE confirmed a final DSG allocation of £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.
- x. **Under spend brought forward - £0.230m over spend.** With centrally managed budgets under spending, there was no requirement to transfer the planned contribution from balances.

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

- 5.5 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 of Schools Budget reserves have been created, following requests from the Schools Forum. Each year these reserves can have funds added or deducted depending on financial performance and the purposes for which they were created.

5.6 In February 2012, when it became clear that the Schools Budget would significantly under spend, the Forum agreed to allocate £0.9m of the forecast under spend to new earmarked reserves. These related to:

1. £0.500m for building adaptations to allow the creation of SEN resource units on school sites, subject to a suitable business case
2. £0.100m for time limited funding for the Turnaround project for a new provision for pupils at risk of exclusion who would receive specialist support away from the school but still be on the school roll
3. £0.285m to help finance any additional costs falling on schools from the Job Evaluation exercise

5.7 New reserves have therefore been created, although as a result of completing some early preparatory works, the SEN resource unit initiative spent £0.009m, and the Turnaround project spent £0.012m, the total now available in these reserves has reduced to £0.491m and £0.088m respectively

Table 1 below provides a summary of movements and current balances on the earmarked reserves.

Table 1: Earmarked reserves related to the Schools Budget

Reserve	Balance B/Forward 1-Apr-2011 £ 000	Movement in year £ 000	Balance 31-Mar-2012 £ 000
<u>School Balances:</u>			
Primary	-1,238	-1,415	-2,652
Secondary	-1,353	-298	-1,651
Special	-185	-43	-228
	<u>-2,776</u>	<u>-1,756</u>	<u>-4,531</u>
<u>Family Tree Reserve</u>			
Family Tree Nursery Reserve (closed)	-110	20	-90
	<u>-110</u>	<u>20</u>	<u>-90</u>
<u>Discretionary Schools Budget Carry Forwards</u>			
Crownwood LAL (closed)	-11	11	0
College Hall PRU	-122	26	-96
	<u>-133</u>	<u>37</u>	<u>-96</u>
<u>Unused Schools Budget Balance</u>			
Unallocated Schools Budget	-595	197	-398
	<u>-595</u>	<u>197</u>	<u>-398</u>
<u>New Reserves for 2011-12</u>			
SEN Resource Units Reserve	0	-491	-491
Turnaround Project Reserve	0	-88	-88
Schools Job Evaluation Reserve	0	-285	-285
	<u>0</u>	<u>-864</u>	<u>-864</u>
Total earmarked reserves	-3,614	-2,366	-5,980

- 5.8 The movement in year column from Table 1 reconciles to the net variance for the year at Annex A at £2.366m. The £1.756m under spending on delegated and devolved funding has been transferred into the earmarked school balances reserve.
- 5.9 Table 1 above shows that the accumulated unused balance on the Schools Budget totals £0.398m. This funding can only be used to support expenditure in the Schools Budget. In setting the 2012-13 Schools Budget, it was agreed that £0.230m of balances could be spent. Therefore, £0.168m of balance on the unallocated Schools Budget balance remains uncommitted.

Confirmed DSG allocation for 2012-13

- 5.10 DfE have now confirmed the amount of DSG for 2012-13 at £76.487m which is £0.387m higher than the budget. In setting the budget £0.243m was set aside as a contingency for in-year cost pressures. Furthermore, £0.086m was set aside for the LACSEG deduction for academy schools. The remaining £0.058m variance is accounted for by slight differences between DfE census numbers and BFC calculated equivalents. These are now subject to checking.
- 5.11 Proposals for the use of the additional DSG and unallocated Schools Budget balance will be brought to the Schools Forum in September with the first budget monitoring report for the year.

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, have been built into the 2012-13 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

2011-12 provisional final accounts

Contact for further information

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2011-12 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	65,481	0	65,481	-1,784	29	-1,756	i
Other School Grants	0	-5,248	-5,248	0	0	0	
	65,481	-5,248	60,233	-1,784	29	-1,756	
<u>LEA managed items</u>							
SEN provisions and support services	6,813	-985	5,828	-153	218	65	ii
Education out of school	1,069	-4	1,065	-19	85	66	iii
Pupil behaviour	534	-7	527	-56	11	-45	iv
School staff absence and other items	1,125	-20	1,105	-209	200	-9	v
Combined Service Budgets	591	0	591	-73	21	-52	vi
Early Years provisions and support services	3,102	-12	3,090	-500	247	-253	vii
Support to schools in financial difficulty	155	0	155	-154	0	-154	viii
Standards Fund LEA Managed	0	0	0	0	0	0	
	13,389	-1,028	12,361	-1,164	782	-382	
Dedicated Schools Grant	0	-72,364	-72,364	-459	0	-459	ix
Underspend brought forward	0	-230	-230	0	230	230	x
TOTAL - Schools Budget	78,870	-78,870	0	-3,407	1,041	-2,366	

1. Total income of £77.842m is from grants and unspent balances only.

See paragraph 5.4 for an explanation to the notes to variances.

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 relating to 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 09 £1.899m March 10 £1.617m March 11 £2.776m March 12 £4.531m
Family Tree Nursery	A reserve was created following the agreement to set up a self funding Nursery. It holds fee income from ongoing trading.	Although the Nursery has now been closed there may still be some one-off costs to be met in 2012/13, including the potential requirement to repay DfE start-up grant.	March 09 £0.112m March 10 £0.110m March 11 £0.110m March 12 £0.090m
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 and College Hall Pupil Referral Unit.	Budget Carry Forwards are permitted in accordance with the scheme set out in BF financial regulations. The Language and Literacy Unit has now closed.	March 09 £0.172m March 10 £0.198m March 11 £0.133m March 12 £0.096m
SEN Resource Units	To set aside in a reserve for building adaptations to allow for the creation of SEN resource units on school sites.	To finance capital expenditure to assist with the development of local, cost effective provisions to support pupils with SEN	March 12 £0.491m

Reserve	Purpose	Policy	Value
Turnaround Project	For time limited funding for the Turnaround project for a new provision for pupils at risk of exclusion who would receive specialist support away from the school but still be on the school roll.	To consider the effectiveness of a new approach to maintaining children in schools that are at risk of exclusion.	March 12 £0.088m
Job Evaluation	To set aside an earmarked reserve for the Job Evaluation exercise	To help finance costs arising from the implementation of the Job Evaluation Review.	March 12 £0.285m
Unallocated 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 than a future years' Schools Budget.	March 09 £0.360m March 10 £0.139m March 11 £0.595m March 12 £0.398m