

TO: SCHOOLS FORUM
DATE: 13 SEPTEMBER 2012

**THE SCHOOLS BUDGET – 2012-13 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 members of the Schools Forum on the 2012-13 forecast budget monitoring position for the Schools Budget as at the end of July and to agree an extension of one year to the licensed deficit agreement at Cranbourne Primary, with the £0.050m deficit being fully repaid by 31 March, 2014.

2 RECOMMENDATIONS

That the Schools Forum:

- 2.1 **NOTES** the budget variances being forecast on the 2011213 Schools Budget that in total aggregate to a net under spending of £0.221m (paragraph 5.3);
- 2.2 **AGREES** the repayment term for the £0.050m licensed deficit previously agreed for Cranbourne Primary School be extended by one year, for full repayment to be made by 31 March 2014 (paragraph 5.6).

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

2012-13 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.

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- 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 2013-14 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 July indicates that the Schools Budget will under spend by £0.221m this year. This forecast variance comprises an over spend of £0.284m against approved budget allocations, additional income of £0.337m against the original estimate made for Dedicated Schools Grant (DSG) income and a further £0.168m additional income as a result of the 2011-12 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 - £0.436m over spend.** The latest costed schedule of SEN pupil placements in out of borough non-LEA special schools indicates 7.5 extra pupils needing a placement compared to last financial year. The average cost of a placement is £0.049m. Placements are made in non-LEA special schools only after exploring every alternative, and they are all discussed at SEN Panel where there are representatives from schools, the Education Psychologist Service, health professionals and others. The cost forecast includes a further £0.1m for potential placements that based on past experience may arise from January as a result of placement breakdowns, but which at this stage are not certain in numbers or costs. This over spend is partially offset by under spendings on associated support services.
The age profile of pupils indicates that numbers will continue to increase and it seems highly likely that a significant budget pressure will arise for 2013-14 at a time of flat funding settlements.
- ii. **Pupil behaviour - £0.042m under spend.** Staff vacancies will result in an under spending, mainly as a result of a re-organisation following the resignation of the Head of the Behaviour and Education Support Team.
- iii. **School staff absence and other items - £0.067m under spend.** There are variances forecast across a wide range of services that support schools. The most significant variance relates to the return of a £0.040m advance payment to the catering contractor at the start of the previous contract to help fund the initial mobilisation costs. With the new contract awarded to the same supplier, there is no requirement to make an advance payment to finance start up costs.
- iv. **Combined Service Budgets - £0.038m under spend.** There are three main variances in this area of the budget. Staffing savings of £0.010m will arise as a result of temporary staff vacancies in both the Looked After Children's Education Service and the SEN Contracts Monitoring post. A further £0.017m saving will be made 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.
- v. **Early Years provisions and support services - £0.145m over spend.** The summer term payments to providers of education and childcare to 3 and 4 year olds are 8.3% above the levels paid at the

same time last year, which if this trend continues to the end of the year would result in a £0.145m over spend. This is a volatile budget and may be subject to significant change when the autumn term data becomes available.

vi. **Support to schools in financial difficulty - £0.150m under spend.**

No schools have requested additional financial support this year, so the expectation is that only schools in, or in danger of entering an Ofsted category are likely to require funding from this budget, where it would be unreasonable for the school to finance any additional expenditure from its delegated budget.

DSG – change from original estimate - £0.337m additional

income. As previously reported to the Forum, 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. The under spend is reported at £0.050m below the provisional cash receipt to reflect a revised LACSEG deduction calculation, which will be subject to amendment, should more schools convert to academy status.

vii. **Under spend brought forward from 2011-12 - £0.168m additional**

under spend. The final accounts for 2011-12 resulted in an under spend of £0.398m compared to the £0.230m estimated when the budget was set. This was reported to the Forum in July 2012.

Annex A 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 At this early stage of the year, when a number of budget decisions have yet to be taken and trends established that can be projected for the year with confidence, it is not considered appropriate to allocate any of the forecast surplus to schools or budgets that support schools. There will be more certainty around projections at the end of the autumn term. Furthermore, in light of the Schools Budget likely to face tighter financial settlements in future years, together with the uncertain impact from the school funding reforms it is not considered appropriate to make any decisions at this. Proposals on the use of any forecast year end balance is therefore recommended to be taken in January alongside initial budget proposals for 2013-14.

Licensed deficit agreement with Cranbourne Primary Schools

- 5.6 A report was presented to the July meeting of the Schools Forum which set out that Cranbourne Primary was the only school in deficit at the end of the 2011-12 financial year. The school is in deficit by £0.029m and has an agreed £0.050m licensed deficit. Whilst this has reduced by £0.023m during the last year, the governing body has requested that the repayment schedule be extended by a further year to 31 March 2014. A medium term budget plan is in place that governors are committed to deliver to which shows a return to surplus by 31 March 2014. As the Forum was not quorate at the time the report was presented, no decision could be taken. The Forum is therefore again asked to approve the requested extension. If agreed Cranbourne will have been in deficit for 5 years, which is the maximum allowed under the Scheme for Financing Schools.

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.

Unrestricted

Background Papers

Provisional July budget monitoring report

Contact for further information

David Watkins, Chief Officer: SR&E

01344 354061)

David.Watkins@bracknell-forest.gov.uk

Paul Clark, Head of Departmental Finance

(01344 354054)

<mailto:paul.clark@bracknell-forest.gov.uk>

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BUDGET MONITORING STATEMENT FOR THE SCHOOLS BUDGET - JULY 2012							
	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	68,554	0	68,554	0	0	0	
Other School Grants	-5,249	0	-5,249	0	0	0	
	63,305	0	63,305	0	0	0	
<u>LEA managed items</u>							
SEN provisions and support services	7,092	-994	6,098	-119	555	436	i
Education out of school	1,074	-3	1,071	-1	1	0	
Pupil behaviour	534	-7	527	-42	0	-42	ii
School staff absence and other items	1,361	-20	1,341	-87	20	-67	iii
Combined Service Budgets	691	0	691	-43	5	-38	iv
Early Years provisions and support services	3,010	-18	2,992	0	145	145	v
Support to schools in financial difficulty	305	0	305	-150	0	-150	vi
	14,067	-1,042	13,025	-442	726	284	
Dedicated Schools Grant	0	-76,100	-76,100	-337	0	-337	vii
Underspend brought forward from previous ye.	0	-230	-230	-168	0	-168	viii
TOTAL - Schools Budget	77,372	-77,372	0	-947	726	-221	

See paragraph 5.3 for an explanation to the notes.