

**TO: SCHOOLS FORUM
20 JUNE 2013**

**2012-13 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 2012-13 Schools Budget.

2 RECOMMENDATIONS

That the Schools Forum:

- 2.1 **NOTES that the outturn expenditure for 2012-13, subject to audit, shows spend of £77.515m which is £0.025m more than the approved budget (paragraph 5.4);**
- 2.2 **NOTES that after transfers to and from earmarked reserves, the Schools Budget under spent by £0.349m, which when added to the £0.168m year end balance, creates a general reserve that amounts to £0.517m (paragraphs 5.5 and 5.9);**
- 2.3 **NOTES that the current balances on specific earmarked reserves within the Schools Budget amount to £5.955m (Table 1, paragraph 5.7);**
- 2.4 **REQUESTS to the council's Executive that a new School Meals Catering Re-tender Reserve is created within the Schools Budget in the value of £0.040m (paragraph 5.11).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are intended to inform the Schools Forum of financial performance against budget in the 2012-13 financial year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not appropriate.

5 SUPPORTING INFORMATION

2012-13 Schools Budget Revenue Expenditure

- 5.1 In March 2012, the Schools Forum approved a draft Schools Budget for 2012-13 of £76.330m. This was to be funded from the estimated amount of DSG income that would be received from the DfE (£76.100m) and a draw down of part of the accumulated surplus balance on the Schools Budget (£0.230m).

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- 5.2 Subsequent to this decision, anticipated income was updated by adding £4.322m to reflect sixth form grant income from the Education Funding Agency (EFA), with £3.285m deducted in respect of the Ranelagh Academy school, as the EFA recoups this amount to pay Ranelagh direct. Therefore, the final budgeted amount of income was set at £77.367m.
- 5.3 In accordance with DfE Funding Regulations, a number of budget adjustments have also been made to reflect the transfer of funds from centrally managed budgets where schools have met qualifying criteria. The most significant adjustments reflect changes in SEN funding for named pupils, allocations from the school specific contingency and support to schools in financial difficulty.

Provisional Outturn Position

- 5.4 The provisional final accounts include net expenditure excluding other school grants in the Schools Budget of £77.515m, an over spend by £0.025m. This comprises over spendings of £1.884m against approved budget allocations and under spendings of £1.859m. These figures remain subject to change, pending external audit, although no significant movement is anticipated.
- 5.5 Some expenditure in the Schools Budget is financed from earmarked reserves and balances. In 2012-13, £0.374m of costs were funded from such sources. Therefore, by funding these costs from non-DSG resources, the £0.025m net over spending becomes a net under spending of £0.349m. Paragraphs 5.7 to 5.11 below explain further the use of balances and reserves.
- 5.6 An explanation of the main changes from the approved budget plan, after transfers to or from reserves and balances are as follows:
- i. **Delegated School Budgets – nil variance.** Statutory Regulations require balances on school budgets to be earmarked to individual schools. There was an aggregate £0.060m withdrawal from balances during the year.
A detailed report on school balances will be presented to a future meeting of the Schools Forum once relevant information has been gathered from schools to explain significant changes.
 - ii. **Other School Grants - £0.013m under spend.** This budget relates to sixth form grant funding received from the EFA which the Council must in general pass directly on to the schools it maintains in the amounts specified by the EFA. However, within the funding allocation is a grant to finance teachers' pensions which the LA has discretion over how it gets allocated to all secondary schools, including academies. Ranelagh's share of the grant is shown against this budget as an under spending, as the EFA recoup the relevant amount through the Dedicated Schools Grant at line ix below and not this budget line.
 - iii. **SEN provisions and support services - £0.536m over spend.** The most significant element of over spending relates to the cost of external placements for pupils with SEN where spend was £0.518m above budget. This reflects an increase of 10 pupils placed compared to those anticipated when the budget was set. There were a number of other variances across the range of support services and other direct provisions.

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- iv. **Pupil behaviour - £0.067m under spend.** There was a £0.053m under spend at the Behaviour Support Team, mainly on staffing, as a result of a number of posts becoming vacant together with further savings on premises costs and general resources. Other minor variances occurred across the range of other support services.
- v. **School staff absence and other items - £0.135m under spend.** A number of variances occurred on the services that support schools, of which the most significant comprised; a £0.111m over spending on the school contingency, mainly from additional in-year allocations to schools experiencing significant increases in pupil numbers; a £0.088m under spending on the cost of official school staff absences, of which maternity leave cover represented £0.059m of the under spend; a £0.069m under spending on the early years contingency as increases in numbers of 3 and 4 year olds receiving the free entitlement to education and childcare were lower than expected; a £0.040m receipt from the contractor of an advance previously paid to finance the mobilisation of the previous school meals contract as the re-tendering did not result in a change in contractor; and a £0.037m under spend from two year's charges for the Carbon Reduction Tax.
- vi. **Combined Service Budgets - £0.050m 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 £0.017m, mainly from staff vacancies, with a £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 and £0.015m on the SEN contract monitoring post which was temporarily vacant.
- vii. **Early Years provisions and support services - £0.022m under spend.** The most significant variance arose 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 – £0.258m under spend.** As set out on a separate addenda item, three schools qualified for relatively small support from the financial difficulties budget during the year.
- ix. **DSG – change from original estimate - £0.340m additional income.** The amount of DSG for 2012-13 was confirmed at £73.155m which is £0.340m higher than the amount included in the budget. In setting the budget £0.243m was set aside as a contingency for in-year cost pressures. Furthermore, the amount set aside for the LACSEG deduction for Ranelagh academy was over stated by £0.041m, and as set out above in note ii, there was a deduction of £0.013m for Ranelagh's share of the post 16 teachers' pay grant. The remaining £0.069m variance is accounted for by differences between DfE census numbers and BFC calculated equivalents.

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

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Balances and reserves

- 5.7 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.

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

Table 1: Earmarked reserves related to the Schools Budget

Reserve	Balance B/Forward 1-Apr-2012 £ 000	Movement in year £ 000	Balance 31-Mar-2013 £ 000
<u>School Balances:</u>			
Primary	-2,652	-44	-2,696
Secondary	-1,651	-45	-1,697
Special	-227	148	-79
	-4,531	60	-4,471
<u>Earmarked Reserves</u>			
Family Tree Nursery Reserve	-90	0	-90
College Hall PRU	-96	-6	-102
SEN Resource Units Reserve	-491	2	-490
Turnaround Project Reserve	-88	88	0
Schools Job Evaluation Reserve	-285	0	-285
	-1,050	83	-967
<u>Unused Schools Budget Balance</u>			
Planned withdrawal	-398	230	-168
	-398	230	-168
Memo item – net transfers for the year		374	
Net under spending for year transferred to Unused Schools Budget Balance		-349	-349
		374	
Total earmarked reserves	-5,980	25	-5,955
<u>Proposed New Reserve</u>			
School Meals Catering Re-tender Reserve		40	40
Transfer from Unallocated Schools Budget		-40	-40

- 5.8 The movement in year column from Table 1 reconciles to the net variance for the year at Annex A at £0.025m, with the £0.374m net transfer from reserves identified as a memorandum item.

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- 5.9 Table 1 above shows that the accumulated unused balance on the Schools Budget totals £0.517m (£0.168m was expected after planned in-year use of £0.230m, plus £0.349m transferred in as the net under spend for the year). This funding can only be used to support expenditure in the Schools Budget. Therefore, £0.517m of uncommitted funds are available to the Schools Budget in 2013-14.
- 5.10 It can also be seen that all of the remaining £0.088m set aside to finance the Turnaround Project has now been fully spent. Members of the Forum will recall that this project was 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. Four sessions were run with a total of 29 pupils attending. An externally commissioned review concluded that Turnaround was a good programme with obvious benefits to young people, their families and schools. The three elements of the programme: preparation, course and follow-up are coherent, well delivered and positively supported by schools. However, issues relating to funding, pupil numbers, staffing and accommodation required further consideration. Offering a turnaround experience on a less regular basis using the lessons learnt from this pilot is being considered but this will be dependent upon resources being identified from school budgets.
- 5.11 Table 1 also sets out a proposal to set up a new earmarked reserve to finance any future mobilisation costs on the school meals catering contract, should there be a change of supplier. In order to provide financial assistance to the provider to mobilise delivery of the contract in advance of the commencement date, it may be appropriate for funds to be made available to a provider to assist cash flow that are then repaid at the expiry of the contract. The Forum is recommended to request to the council's Executive that a new reserve of £0.040m to be funded from the £0.517m currently held in the Unallocated Schools Budget Balance be created for this purpose. The Unallocated Schools Budget Balance would therefore reduce to £0.477m.

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 2013-14 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

2012-13 provisional final accounts

Contact for further information

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2012-13 PROVISIONAL OUTTURN STATEMENT FOR THE SCHOOLS BUDGET										
	Approved Budget			Outturn	Outturn Variance			Transfer	Final	Note
	Spend	Income	Net	Net Spend	Under spending	Over spending	Net variance	to(-) / from(+) reserves	variance	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<u>Delegated and devolved funding</u>										
Delegated School Budgets	64,717	0	64,717	64,777	-613	673	60	60	0	i
Other School Grants	-4,322	0	-4,322	-4,335	-13	0	-13	0	-13	ii
	60,395	0	60,395	60,442	-626	673	47	60	-13	
<u>LEA managed items</u>										
SEN provisions and support services	7,026	-995	6,031	6,569	-164	702	538	2	536	iii
Education out of school	1,135	-4	1,131	1,213	-7	89	82	82	0	
Pupil behaviour	534	-7	527	460	-67	0	-67	0	-67	iv
School staff absence and other items	1,029	-20	1,009	874	-255	120	-135	0	-135	v
Combined Service Budgets	691	0	691	641	-55	5	-50	0	-50	vi
Early Years provisions and support services	3,020	-18	3,002	2,980	-87	65	-22	0	-22	vii
Support to schools in financial difficulty	259	0	259	1	-258	0	-258	0	-258	viii
	13,694	-1,044	12,650	12,738	-893	981	88	84	4	
Dedicated Schools Grant	0	-72,815	-72,815	-73,155	-340	0	-340	0	-340	ix
Use of Unallocated Schools Budget Reserve	0	-230	-230	0	0	230	230	230	0	a
TOTAL - Schools Budget	74,089	-74,089	0	25	-1,859	1,884	25	374	-349	b
Transfers to / from Unallocated Schools Budget Reserve								230	-349	a b
Net Transfer to Unallocated Schools Budget Reserve								-119		a +b

See paragraph 5.6 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 10 £1.617m March 11 £2.776m March 12 £4.531m March 13 £4.471m
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 2013/14, including the potential requirement to repay DfE start-up grant. The on-going need for this reserve will be considered during the 2013/14 accounts closedown process.	March 10 £0.110m March 11 £0.110m March 12 £0.090m March 13 £0.090m
Discretionary Schools Budget Carry Forwards	The statutory requirement to carry forward school balances has been extended to cover those held at College Hall Pupil Referral Unit. 2012 School Funding Regulations require carry forwards at Pupil Referral Units to be ring-fenced for use only by Pupil Referral Units.	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 10 £0.198m March 11 £0.133m March 12 £0.096m March 13 £0.102m
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 March 13 £0.490m

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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. The funds were fully spent during 2012-13. See paragraph 5.10.	March 12 £0.088m March 13 nil
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 March 13 £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 10 £0.139m March 11 £0.595m March 12 £0.398m March 13 £0.517m