

TO: SCHOOLS FORUM
DATE: 17 JULY 2014

2013-14 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 2013-14 Schools Budget provisional outturn and to agree the allocation of balances and the use of Earmarked Reserves.

2 RECOMMENDATIONS

That the Schools Forum NOTES:

- 2.1 that the outturn expenditure for 2013-14, subject to audit, shows net income of £0.390m which represents a £0.360m under spending (paragraph 5.5);
- 2.2 that after previously agreed transfers to and from earmarked reserves, the Schools Budget under spent by £0.495m (paragraph 5.6);
- 2.3 the main reasons for budget variances (paragraph 5.7);
- 2.4 the previously agreed year end transfers to and from Earmarked Reserves (paragraphs 5.9 and 5.10);
- 2.5 that the current balances on specific earmarked reserves within the Schools Budget amount to £5.889m (paragraph 5.8);
- 2.6 the current balance on the Schools Budget General Reserve of £0.691m (paragraph 5.12);
- 2.7 the approach to setting a minimum balance for the Schools Budget General Reserve (paragraphs 5.13 to 5.17).

That the Schools Forum AGREES:

- 2.8 to close the Family Tree Nursery Reserve and transfer the £0.090m balance into the Schools Budget General Reserve (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 2013-14 financial year and to agree new proposals for the use of Earmarked Reserves.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not appropriate.

5 SUPPORTING INFORMATION

2013-14 Schools Budget Revenue Expenditure

- 5.1 In March 2013, based on recommendations of the Schools Forum, the Executive Member for Children, Young People and Learning approved the Schools Budget for 2013-14 with £85.072m of grant funding. This was to be funded from the estimated amount of DSG income that would be received from the DfE at £78.865m, anticipated income of £4.163m to reflect sixth form grant income from the Education Funding Agency and £2.044m from the Pupil Premium. In addition to grant funding, there is also a budget of £1m for other income making total estimated funding of £86.072m. Spend proposals to this level were also agreed, resulting in a net nil budget.
- 5.2 Subsequent to this decision, anticipated income was updated by adding £0.368m to reflect revised sixth form grant income from the Education Funding Agency (EFA), including new income in respect of Kennel Lane Special School, with £3.984m deducted from the DSG. Of this, £3.503m was in respect of the Ranelagh Academy school, as the EFA recoups this amount based on the amount determined through the BF Funding Formula for Schools to pay Ranelagh direct, with a further £0.481m deduction to reflect outstanding adjustments for High Needs and Early Years pupils. Therefore, the final budgeted amount of funding was set at £82.456m.
- 5.3 There has also been one change to the overall expenditure budget. A £0.030m contribution was made by Kennel Lane Special school from their revenue budget to finance capital expenditure and a budget transfer is therefore required from revenue to capital which reduces the revenue expenditure budget to £82.426m. The year end net revenue budget was therefore -£0.030m.
- 5.4 In accordance with DfE Funding Regulations, a number of self-balancing budget adjustments have also been made during the year 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, mainly in respect of increases in pupil numbers and managing the financial impact of Key Stage 1 class size Regulations, and support to schools in financial difficulty.

Provisional Outturn Position

- 5.5 The provisional final accounts for the Schools Budget, as summarised at Annex A, shows net income of £0.390m and a cumulative under spend of £0.360m. This comprises over spendings of £1.257m against approved budget allocations and under spendings of £1.617m. These figures remain subject to change, pending external audit, although no significant movement is anticipated.

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- 5.6 Some expenditure in the Schools Budget is financed from accumulated balances held by schools and in accordance with conditions of DSG cannot be taken into the general balances of the Schools Budget. In 2013-14, schools drew down £0.135m of funds from their balances. Therefore, the £0.360m net under spending on the overall Schools Budget becomes a net under spending of £0.495m for retention within the balances of the Schools Budget. Paragraphs 5.8 to 5.12 below explain further the use of balances and reserves.
- 5.7 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 £0.101m withdrawal from balances during the year. Note College Hall Pupil Referral Unit withdrew £0.034m, re note iv, making a combined withdrawal of £0.135m from school reserves.
A report on school balances is included as a separate Agenda item for this meeting.
 - ii. **Other School Grants - £0.002m under spend.** This variance relates to an over allocation of 2012-13 Pupil Premium Grant which has not been reclaimed by the DfE.
 - iii. **SEN provisions and support services - £0.167m over spend.** The most significant element of over spending relates to the cost of external placements for post 16 pupils with SEN where spend was £0.095m above budget. This expenditure reflects support packages approved by the EFA which were not ultimately funded through the realignment of DSG allocations. Significant cost reductions have been made on a number of post 16 placements – over £0.2m in a full year – which illustrates the financial difficulty being experienced through the reforms to High Needs pupil funding. The other significant over spending relates to high cost packages required to support pupils with severe medical conditions which over spent by £0.099m. There were a number of other variances across the range of support services and other direct provisions.
 - iv. **Education out of school - £0.056m over spend.** There was an over spending of £0.047m for home tuition which arose from more pupils needing support, including a number that could not be accommodated in the Pupil Referral Unit.
 - v. **Pupil behaviour - £0.064m under spend.** There was a £0.057m 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, general resources and earning additional rental income. Other minor variances occurred across the range of other support services.
 - vi. **School staff absence and other items - £0.203m under spend.** A number of variances occurred on the services that support schools of which the most significant comprised; a £0.076m under spending on the cost of official school staff absences, of which maternity leave cover represented £0.049m of the under spend; a £0.030m under spending on the school contingency, mainly from fewer in-year allocations to schools experiencing significant increases in pupil numbers; a £0.031m under spending on the early years contingency as increases in numbers of 3 and 4 year olds in maintained schools

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receiving the free entitlement to education and childcare were lower than expected; a £0.038m under spending on estimated cost increases for business rates at schools being expanded to meet the requirement for additional places to accommodate the increase in pupil numbers; £0.014m under spending on premature retirement and dismissal costs in schools; and a £0.011m under spend from the charge for the Carbon Reduction Tax.

- vii. **Combined Service Budgets - £0.009m over 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. As a consequence of increased numbers, costs of supporting looked after children over spent by £0.027m, £0.016m on transport costs to BF schools and £0.011m on additional educational support. This was partially offset by a £0.17m under spending at the Margaret Wells Furby Children's Resource Centre as a result of requiring a lower level of service delivery than allowed for in the budget.
- viii. **Early Years provisions and support services - £0.307m under spend.** The most significant variance arose from £0.418m less expenditure than anticipated on the new duty to provide the free entitlement to education and child care for 2 year olds as take up was lower than provided for in the DSG allocation plus the expectation that funds would be carried forward for the on-going support and development of provision for which the 2013-14 DSG allocation also included funds for 2014-15. There was a £0.084m overspend on the free entitlement to education and child care for 3 and 4 year olds in private, voluntary and independent settings.
- ix. **Support to schools in financial difficulty – £0.151m under spend.** The Forum received a report in March setting out use of this budget and confirmed the £0.151m under spending.
- x. **Under spend to be transferred to Earmarked Reserve - £0.495m.** The balance of under spending on budgets centrally managed in the Schools Budget. This is transferred into the Schools Budget General Reserve for use in a future year.

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

- 5.8 As part of the financial planning process, there is the opportunity to establish and maintain 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. Balances reflect year end unspent funds and can be held separately as an unring-fenced amount or be transferred to Earmarked Reserves for a specific purpose.

Table 1 below provides a summary of movements last year and current balances on the earmarked reserves with column 5 showing total funds of £5.889m.

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Table 1: Earmarked reserves related to the Schools Budget

Reserve	Balance B/Forward 1-Apr-13 1 £ 000	Movement in year 2 £ 000	Initial Balance 31-Mar-14 3 £ 000	Year end Transfers 4 £ 000	Final Balance 31-Mar-14 5 £ 000
<u>School Balances:</u>					
Primary	-2,696	-292	-2,988	0	-2,988
Secondary	-1,697	373	-1,324	0	-1,324
Special	-78	19	-59	0	-59
College Hall PRU	-102	34	-68	0	-68
	-4,573	135	-4,438	0	-4,438
<u>Earmarked Reserves</u>					
SEN Resource Units Reserve	-490	0	-490	0	-490
School Meals Catering Re-tender Reserve (note a)	0	-40	-40	0	-40
School Expansion Rates Reserve (note b)	0	-112	-112	0	-112
Schools Job Evaluation Reserve (note c)	-285	0	-285	167	-118
Family Tree Nursery Reserve (note e)	-90	0	-90	90	0
	-865	-152	-1,017	257	-760
<u>Schools Budget General Reserve</u>					
Brought Forward Balance	-517	0	-517	0	-517
In-year under spend	0	-495	-495	0	-495
Transfer to School Meals Catering Re-tender Reserve (note a)	0	40	40	0	40
Transfer to School Expansion Rates Reserve (note b)	0	112	112	0	112
Early Years draw down in 2014-15 (note d)	0	0	0	259	259
Transfer from Family Tree Nursery Reserve (note e)	0	0	0	-90	-90
	-517	-343	-860	169	-691
Total earmarked reserves	-5,955	-360	-6,315	426	-5,889

5.9 Column 2 from Table 1, movement in year, reconciles to the Schools Budget net variance of £0.360m. This includes the following previous decisions of the Forum:

Note a: 20 June 2013; to transfer £0.040m from the Schools Budget General Reserve into a School Meals Catering Re-tender 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 assist cash flow that is then repaid at the expiry of the contract.

Note b: 16 January 2014; that a new School Expansion Rates Reserve is created to finance future anticipated cost increases arising from the school expansion programme, and that it is initially

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funded through a £0.112m transfer from the Schools Budget General Reserve.

- 5.10 A number of year-end transfers, as set out in column 4 of Table 1 have also been processed, in accordance with previous decisions of the Forum:

Note c: 16 January 2014: that £0.144m is drawn down from the Job Evaluation Reserve to fund estimated 2014-15 costs to mainstream schools and £0.023m for Kennel Lane Special School arising from implementation of the Bracknell Forest Supplement – the equivalent of the Living Wage - for non-teaching staff in schools.

Note d: 13 March 2014: that subject to there being a sufficient under spending on the overall Schools Budget, that any net under spending in 2013-14 on the following budgets are carried forward into 2014-15 as follows:

- i. Trajectory funding: to support the development of provisions for 2 year olds, currently estimated at £0.118m
- ii. Payments to providers for the free entitlement to education and childcare for 2, 3 and 4 year olds: to support the development of a sufficient number of places for eligible 2 year olds, currently estimated at £0.141m.

This original decision was made on the expectation that £0.259m in total would be under spent and a budget plan was produced on that basis. The final outturn for 2013-14 was for a £0.333m underspend. As £0.259m is considered sufficient to deliver the key outcomes, the additional £0.074m is proposed to be retained within the Schools Budget General Reserve.

- 5.11 A new transfer is also now proposed at column 4 of Table 1;

Note e: To close the Family Tree Nursery Reserve and make the £0.090m balance available in the Schools Budget General Reserve. This reflects the likelihood that no further liabilities will arise as a result of closing the Nursery.

- 5.12 Column 5 of Table 1 shows that the accumulated unused balance on the Schools Budget General Reserve totals £0.691m. This funding can only be used to support expenditure in the Schools Budget. Therefore, £0.691m of uncommitted funds are available for future use in the Schools Budget.

Annex B provides a summary of the purpose and policy of each reserve together with recent levels of funds.

Setting a prudential minimum level of balances

- 5.13 In managing the Schools Budget General Reserve, it is appropriate to set a minimum level of funds that should be maintained to manage unforeseen circumstances and to also plan for any future changes that may have a financial impact. This helps to manage risks in a planned, rather than reactive manner.

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- 5.14 As set out in Annex A, there was £82.426m of planned spend within the final Schools Budget for 2013-14. Of this total £67.599m is delegated to individual school governors to manage, including the Pupil Premium. There is a further £0.761m under the control of the Management Committee of College Hall Pupil Referral Unit, making a total expenditure budget controlled by schools of £68.360m. A separate agenda item shows that the aggregate level of surplus school balances at 31 March 2104 was £4.438m, which is over 6% of annual spend. This is considered more than adequate to manage unforeseen circumstances at individual schools.
- 5.15 Clearly, within the average 6% surplus balance some schools will be above this level and others below it. To help schools facing financial difficulty, there is the option to borrow money from the aggregate surplus of all school balances to help effect budget change over a number of years.
- 5.16 With the aggregate level of school balances considered adequate, consideration needs to be given to the level of balances to be held in respect of the remaining £14.066m budget managed on behalf of schools by the Council. Taking account of the assessed risk in terms of budget volatility and value, Table 2 below sets out that £0.510m is considered the minimum level of balance that needs to be held for in-year pressures.

Table 2: Calculation of minimum level of balances

	Final Budget £000	Contingency % of budget	£000
<u>LEA managed items</u>			
SEN provisions and support services	7,750	5.00%	390
Education out of school *	388	3.00%	10
Pupil behaviour	441	3.00%	10
School staff absence and other items	907	2.00%	20
Combined Service Budgets	690	2.00%	10
Early Years provisions and support services	3,739	2.00%	70
Support to schools in financial difficulty	151	0.00%	0
Total	14,066	3.63%	510

* Figure adjusted from Annex A in respect of College Hall Pupil Referral Unit.

The level of minimum balance to be held to cover unforeseen circumstances on budgets managed on behalf of schools by the Council is proposed to be reviewed each year.

- 5.17 In terms of future possible events, there are a number of earmarked reserves within the Schools Budget such as the Schools Expansion Rates Reserve, the Job Evaluation Reserve and the SEN Resource Units Reserve which are considered adequate to cover the most significant know future pressures. At this stage it is assumed that the 2.3% increase in employers' contribution to the Teachers Pension Scheme, effective from September 2015, and estimated to cost £0.848m in a full year will be funded from the BF share of

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the £350m additional funding to be made available in the DSG in 2015-16, which is estimated at £1.4m.

Conclusion

- 5.18 Balances and Earmarked Reserves held in the Schools Budget are considered sufficient to meet future known cost pressures together with adequate resources to manage unforeseen cost pressures that may arise in-year.
- 5.19 In aggregate, schools are also considered to be holding sufficient balances.

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 2014-15 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

- 7.1 Not applicable.

Background Papers

None

Contact for further information

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2013-14 PROVISIONAL OUTTURN STATEMENT FOR THE SCHOOLS BUDGET

	Approved Budget			Outturn Net Spend	Estimated Variance			Transfer to(+)/ from(-) reserves	Final variance	Note
	Expenditure	Income	Net		Under spending	Over spending	Net variance			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<u>Delegated and devolved funding</u>										
Delegated School Budgets	65,547	-4,523	61,024	61,125	-597	698	101	-101	0	i
Other School Grants	2,052	-2,052	0	-2	-2	0	-2	0	-2	ii
	67,599	-6,575	61,024	61,123	-599	698	99	-101	-2	
<u>LEA managed items</u>										
SEN provisions and support services	7,750	-969	6,781	6,948	-221	388	167	0	167	iii
Education out of school	1,149	-4	1,145	1,236	-2	92	90	-34	56	iv
Pupil behaviour	441	-7	434	370	-66	2	-64	0	-64	v
School staff absence and other items	907	-20	887	683	-211	8	-203	0	-203	vi
Combined Service Budgets	690	0	690	699	-31	40	9	0	9	vii
Early Years provisions and support services	3,739	0	3,739	3,432	-336	29	-307	0	-307	viii
Support to schools in financial difficulty	151	0	151	0	-151	0	-151	0	-151	ix
	14,827	-1,000	13,827	13,368	-1,018	559	-459	-34	-493	
Dedicated Schools Grant	0	-74,881	-74,881	-74,881	0	0	0	0	0	
Under spend to be transferred to Earmarked Reserve									495	x
TOTAL - Schools Budget	82,426	-82,456	-30	-390	-1,617	1,257	-360	-135	0	
Net Variance				-360						

See paragraph 5.7 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 £1.815m March 11 £2.909m March 12 £4.627m March 13 £4.573m March 14 £4.438m
Family Tree Nursery	A reserve was created following the agreement to set up a self funding Nursery. It holds fee income from ongoing trading.	Whilst the Nursery has now closed, there remained the possibility that some one-off costs may need to be met in 2013/14, including the potential requirement to repay DfE start-up grant. This has been reviewed and there is considered to be a low risk of future liabilities and the balance has therefore been transferred to the general Unallocated Schools Budget Balance.	March 10 £0.110m March 11 £0.110m March 12 £0.090m March 13 £0.090m March 14 Nil
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.	To better reflect current School Funding Regulations, these balances are now included above in the School Balances Reserve.
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 March 14 £0.490m

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Reserve	Purpose	Policy	Value
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 March 14 £0.118m
Schools Budget General Reserve	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 March 14 £0.691m