

TO: SCHOOLS FORUM  
DATE: 16 OCTOBER 2014

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**THE SCHOOLS BUDGET – 2014-15 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 for the Schools Forum to receive an update on the 2014-15 forecast budget monitoring position for the Schools Budget, to be aware of key issues and management actions being taken.

**2 RECOMMENDATIONS**

**That the Schools Forum NOTES:**

- 2.1 The budget virements processed to date (paragraphs 5.2 to 5.4);
- 2.2 the budget variances being forecast on the 2014-15 Schools Budget that in total aggregate to a net over spending of £0.762m, (paragraph 5.10);
- 2.3 that insufficient accumulated balances are available to cover the estimated over spending and that a deficit of £0.071m is forecast to be carried forward into 2015-16 and will need to be financed from new year grant income (paragraph 5.10);
- 2.4 the likelihood that at least £1m of the £1.5m additional funds from the *Fairer Funding for Schools in 2015-16* initiative will need to be used to finance increased costs supporting High Needs pupils rather than going into delegated school budgets (paragraph 5.16).

**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**

2014-15 Monitoring of the Schools Budget

Approved budget

- 5.1 A report was presented to the July meeting of the Forum that confirmed current funding from the Dedicated Schools Grant (DSG) at £76.024m. To this can be added

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other grant income of £8.563m from the Education Funding Agency that is made available to fund sixth forms, the Pupil Premium, PE and Sports activities and the Universal Infant Free School Meals initiative. There is also £0.031m of general income. Therefore, in total, £84.716m is available fund expenditure within the School Budget.

- 5.2 In approving the budget for 2014-15, the Forum also agreed the draw down of funds from Earmarked Reserves to add to expenditure budgets as follows:
- a) £0.168m from the Job Evaluation Reserve to fund the cost to schools arising from the Bracknell Forest Supplement i.e. the Living Wage;
  - b) £0.259m of unspent 2013-14 Early Years funds to continue the roll out of the free entitlement to early years childcare to the most deprived 2 year olds.
- 5.3 There have also been 2 budget adjustments relating to transferring DSG grant funding to capital projects, which results in a reduction in expenditure budgets as follows:
- c) £0.016m from Kennel Lane Special School as a contribution to the recent school refurbishment project;
  - d) £0.265m from Early Years revenue budgets to contribute to the financing of capital works which will increase the number of places available for Early Years providers of the free entitlement and increase the supply of places to meet anticipated demand.
- 5.4 Finally, there has been a further adjustment to the Early Years Block DSG allocation as follows:
- e) £0.098m increase in funding following revised calculation by the DfE that uses January 2014 census data rather than January 2013. Early Years budgets have been increased accordingly to meet additional costs incurred, resulting in a net nil change in overall budget.
- 5.5 The budget changes set out in paragraphs 5.2 to 5.4 aggregate to a £0.146m net increase in funds. To ensure budgets correctly reflect anticipated spending requirements, adjustments will be made to the areas of the accounts that these changes relate to.
- 5.6 Annex 1 sets out the resultant budgets, with notes a) to e) above referenced in the relevant budget lines where changes have been made in the accounts.

### Forecast budget variances

- 5.7 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.
- 5.8 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 2015-16 budget is agreed. It is likely that a number of variances identified this year will be on-going and will therefore need to be addressed in next year's budget.

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- 5.9 The budget update report presented to the Forum in July indicated a net forecast year end over spending of £0.333m. This mainly related to reduced DSG funding for High Needs Pupils (£0.282m), forecast in-year over spending on provisions for High Needs Pupils (£0.376m – see Annex 2 for breakdown) with a range of managed savings and other budget under spendings that reduced the net over spend forecast for the whole Schools Budget to £0.333m.
- 5.10 Provisional budget monitoring information available at the end of August indicates that the Schools Budget will now over spend by £0.762m this year, with the vast majority of increased spend accounted for against High Needs pupils. This forecast variance comprises an over spend of £1.719m against approved budget allocations and net under spendings of £0.957m. There is a maximum of £0.691m of unallocated surplus funds to apply to fund this forecast cost, meaning there will be a projected £0.071m deficit carried into 2015-16 that will need to be financed from new year income.

Explanations of the significant changes anticipated from the current budget plan are set out below, with Annex 1 showing the overall Schools Budget at a summary level.

### **Schools Block: Delegated and devolved funding:**

- i. **Delegated School Budgets - £0.024m under spend.** The Schools Budget has allocated £0.1m to fund a contingency to support schools with a disproportionate numbers of high needs pupils. Applying the approved eligibility criteria results in £0.076m being allocated to schools and a £0.024m under spending.
- ii. **Other grants - £0.130m under spend.** There is additional income from the Education Funding Agency to support post 16 pupils at Kennel Lane Special school (KLS) of £0.130m which reflects the full year effect of the new grant received for the first time in 2013-14 academic year.

### **Other Schools Block:**

- iii. **Pupil behaviour - £0.018m under spend.** The saving is forecast against staffing where a small number of vacancies have occurred.
- iv. **School staff absence and other items - £0.075m under spend.** The most significant element of the forecast under spending relates to a forecast £0.060m saving on the Early Years contingency. Based on actual head count data from April, only £0.04m of the £0.1m provision for in-year growth in take-up is expected to be required. There is also a £0.02m anticipated saving on school staff maternity leave absence cover, with a £0.015m over spend expected on centralised copyright fees where the DfE has negotiated a discounted rate for all schools in England, the scope of which has been extended with a consequential cost increase.
- v. **Support to schools in financial difficulty - £0.100m under spend.** There is no clear indication of spend against this £0.283m budget, with only two school having contacted the Council requesting additional support, of which £0.010m has been approved by the Director under delegated powers set out in the policy agreed by the Forum. Further financial support is expected to be required to schools in danger of entering or just exiting Ofsted categories although precise amounts are unclear at this stage. This can be a volatile budget.

### **High Needs Block:**

- vi. **SEN provisions and support services – £1.093m over spend.** There are two significant factors in the forecast over spending; the £0.282m reduction in High Needs DSG funding from the 2013-14 level, which has previously been reported to the Forum; and a £0.949m forecast over spending on external placements, where student numbers have increased by 22 from 174 to 196.

Taking account of new starters and leavers, this equates to having to pay for 136 full time equivalent all year round students rather than 115. At an average cost of placement of around £0.042m, the additional student numbers account for the increased spend.

In terms of the student profile, post 16 placements have increased by 19 and therefore represent the major factor in cost increase. This is attributed to the raising in age of participation, the wider and more appropriate range of courses being provided and a high number of students moving from relatively low cost maintain school provision to higher cost out of borough placements. In terms of the category of primary need of students, there continues to be a significant increase in both those with Autistic Spectrum Disorders – up 8 to 48 – and Behavioural, Emotional and Social Difficulties – up 7 to 41.

Making in-roads against the cost increase will be a challenge and take time.

The key actions taken to date include:

- reviewing all education placements on a case by case basis, ensuring the educational provision is appropriate whilst actively working with partners to develop supported work placements for young people who are able to move on;
  - more rigorous negotiation with other agencies, such as Health and Social Care, to make a larger contribution to the costs for students they support;
  - more stringent commissioning processes;
  - developing a business case for the EFA for a higher level of funding which reflects the growth in demands;
  - developing plans to increase the availability of high needs places in local maintained schools;
  - managed savings of £0.138m against other provisions and SEN support services;
  - Examining the scope to make savings on budgets outside the High Needs Block.
- vii. **Education out of school - £0.038m over spend.** The main forecast variances relate to a £0.01m over spend on the cost of home tuition through increased demand and £0.021m as a share of funding the salary of the Head of Targeted Services.

#### **Early Years Block:**

- viii. **Early Years provisions and support services - £0.035m over spend.** The additional spend relates to staffing where the assumed vacancy factor is not expected to be achieved..

#### **Dedicated Schools Grant:**

- ix. **Dedicated Schools Grant - £0.057m under spend.** The DfE recalculate the Early Years DSG block based on actual participation rates each January. The January 2014 census indicated extra take-up with DSG increased by £0.057m. This was confirmed after the 2013-14 accounts had closed and is therefore additional, one-off income for 2014-15.

#### **Anticipated impact in 2015-16**

- 5.11 As set out above, there are insufficient funds in the Schools Block General Reserve to fully fund the forecast over spending, meaning it is likely that a deficit will be carried forward which will need to be recovered as part of the 2015-16 budget setting process. Members of the Forum will also recall that the Borough Treasurer considers that the Schools Budget should hold a minimum surplus of £0.51m to help manage unforeseen cost increases like those currently being experienced. Meeting this objective will also need to be considered as part of the 2015-16 budget setting process.

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- 5.12 At this stage it is anticipated that a significant underlying over spending on supporting High Needs pupils will be carried forward into 2015-16. Whilst the DfE has indicated that a small amount of growth will be available in next year's High Needs Block DSG, there is uncertainty as to how this will filter through to individual LAs as demand for places will be funded first i.e. the £10,000 for elements 1 and 2, and this information is not available to the Council. On this basis, the initial planning assumption is that there will be a cash standstill for High Needs DSG income.
- 5.13 Costs will continue to be reviewed and monitored to obtain best value for money and there is an expectation that some improvement in financial performance will be achieved. Work is also underway to more accurately assess the likely full year effect cost of current and future anticipated placements as this may increase costs further.
- 5.14 As previously reported, the most significant impact on reducing spend on high needs pupils would be to increase the number of available places in maintained provision. The Council is seeking to achieve this by developing a 56 place Autistic Spectrum Disorder (ASD) pupil facility by converting the existing vacant building on Eastern Road through use of DfE capital grants.
- 5.15 Provisional calculations of revenue running costs for the facility indicate that once fully open, the facility could generate annual savings on placements of over £0.5m. However, it is unlikely that many pupils can be moved immediately from their current placements, meaning it will take up to 6 years for the facility to be fully open and payments to external providers to have fully reduced. During the short term, with relatively low numbers of pupils on roll, and ongoing payments being made to external providers, there will be a net additional cost which is estimated to aggregate to £0.8m in the first 3 years after opening. This will need to be managed within the Schools Budget until such time as annual savings exceed costs and options are currently being considered. On the basis of the potential for significant future savings, the Forum agreed that the development of this facility is a high priority when setting future revenue budgets and the business plan and funding options will be reported to the Forum when budget decisions are taken.
- 5.16 The size of potential over spend on High Needs pupils next year means that the budget pressures can not be managed exclusively from within the £11.588m High Needs Block DSG. A wider range of funds will need to be used. In all likelihood, this means that a significant share of the £1.5m additional funding due next year under the *Fairer Funding for Schools in 2015-16* initiative will need to be diverted from schools to pay the costs of supporting High Needs pupils outside the mainstream sector. It is expected that at least £1m of the growth will be needed for this purpose, and the October Financial Consultation with Schools seeking views on prioritising the distribution includes only £0.5m of potential additional resources.

## **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 is a significant risk that the cost of supporting High Needs pupils will exceed available income in 2015-16. The impact from this is expected to be mitigated by using accumulated surplus funds held in the Schools Budget General Reserve and the new money being made available through the *Fairer Schools Funding for 2015-16* initiative.

**7 CONSULTATION**

- 7.1 Not applicable.

Background Papers

Provisional August budget monitoring report

Contact for further information

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<b>2014-15 PROVISIONAL BUDGET MONITORING STATEMENT FOR THE SCHOOLS BUDGET AS AT THE END OF AUGUST 2014</b>								
	Approved Budget			Note	Estimated Variance			Note
	Expenditure	Income	Net		Under spending	Over spending	Net variance	
	£000	£000	£000		£000	£000	£000	
<b><u>Delegated and devolved funding</u></b>								
Delegated School Budgets	65,762	0	65,762	a, d	-24	0	-24	i
Other School Grants	4,042	-8,563	-4,521		-130	0	-130	ii
	<b>69,804</b>	<b>-8,563</b>	<b>61,241</b>		<b>-154</b>	<b>0</b>	<b>-154</b>	
<b><u>LEA managed items</u></b>								
<b>Schools Block</b>								
Pupil behaviour	335	-7	328		-24	6	-18	iii
School staff absence and other items	1,360	-19	1,341		-110	35	-75	iv
Combined Service Budgets	690	0	690		0	0	0	
Support to schools in financial difficulty	285	0	285		-100	0	-100	v
<b>High Needs Block</b>								
SEN provisions and support services	7,476	-2	7,474		-506	1,599	1,093	vi
Education out of school	1,083	-3	1,080	b, c	-6	44	38	vii
<b>Early Years Block</b>								
Early Years provisions and support services	3,829	0	3,829		0	35	35	viii
	<b>15,058</b>	<b>-31</b>	<b>15,027</b>		<b>-746</b>	<b>1,719</b>	<b>973</b>	
<b>Dedicated Schools Grant</b>	<b>0</b>	<b>-76,122</b>	<b>-76,122</b>	e	<b>-57</b>	<b>0</b>	<b>-57</b>	ix
<b>TOTAL - Schools Budget</b>	<b>84,862</b>	<b>-84,716</b>	<b>146</b>		<b>-957</b>	<b>1,719</b>	<b>762</b>	
<b>Unallocated balance at 1 April 2014</b>							<b>-691</b>	
<b>Net over spend forecast for 31 March 2015</b>							<b>71</b>	

See paragraphs 5.2 to 5.4 and 5.10 for an explanation to the notes.

## High Needs Block Budgets

Budget Item	2013-14 Actual Budget £	2014-15 expected change at March £	2014-15 expected change at July
<b>Element 3 top-up payments.</b> For pupils where assessed needs exceed the £6,000 cost of support threshold set by the DfE:			
BFC maintained schools and academy.	£651,720	£91,000	£129,000
Non-BFC maintained schools	£950,000	£2,000	£2,000
Kennel Lane Special School *	£1,213,650	£23,000	£0
PVI providers	£4,250,000	£-90,000	£-500,000
FE colleges	£315,000	£173,000	£659,000
<b>Elements 1 and 2 for specialist places</b> – For block purchase of places in BFC maintained specialist providers, at the £10,000 per place:			
Kennel Lane Special School	£1,850,000	£0	£0
BFC maintained schools	£292,000	£-32,000	£-32,000
BFC academy **	£50,000	£-50,000	£-50,000
<b>Education out of school:</b>			
College Hall Pupil referral Unit	£711,490	£0	£0
Home Tuition	£252,160	£20,000	£29,000
Family Outreach Work	£99,130	£0	£0
<b>Other support to high needs pupils:</b>			
Teaching and Support Services	£704,350	£0	£0
Sensory Impairment Service	£226,470	£0	£0
Autism Support Service	£84,000	£25,000	£25,000
Traveller Education	£75,140	£0	£0
Other, e.g. specialist equipment, medical support etc	£146,010	£32,000	£64,000
Targeted Services – agreed at Forum September 2013	-	-	£50,000
To purchase of 15 unfunded Element 2 places	-	£90,000	£0
Change in DSG	-	£-11,000	£0
<b>Sub total</b>	<b>£11,871,120</b>	<b>£273,000</b>	<b>£376,000</b>
<b>Remove non-DSG budget items:</b>			
KLS funding from Job Evaluation Reserve		£-23,000	-
Add back estimated increase in DSG income		£11,000	-
<b>Total High Needs Block Budget</b>	<b>£11,871,120</b>	<b>£261,000</b>	<b>£376,000</b>

\* £0.023m to be released from the Job Evaluation Reserve to fund the estimated impact from adopting the equivalent of the Living Wage at Kennel Lane Special School.

\*\* From September 2013, EFA became responsible for funding places in academy schools.