

TO: SCHOOLS FORUM
DATE: 16 JULY 2015

2014-15 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 of the provisional outturn on the 2014-15 Schools Budget, including the allocation of balances and the use of Earmarked Reserves.

2 RECOMMENDATIONS

That the Schools Forum NOTES:

- 2.1 that the outturn expenditure for 2014-15, subject to audit, shows net expenditure of £1.088m which represents a £1m over spending before allocation of reserves and balances (paragraph 5.7);
- 2.2 that after transfers to and from earmarked reserves, the Schools Budget over spent by £0.483m (paragraph 5.8);
- 2.3 the main reasons for budget variances (paragraph 5.9);
- 2.4 that due to delays in finalising capital projects for creating additional places for 2 year olds, £0.265m of Early Years DSG revenue funding transferred to capital has been returned to the Schools Budget General Reserve pending a decision on any future bid for funds (paragraph 5.9 viii);
- 2.5 that the current aggregate surplus on balances and Earmarked Reserves within the Schools Budget amount to £5.152m (paragraph 5.10);
- 2.6 the previously agreed transfers to and from Earmarked Reserves (paragraph 5.11);
- 2.7 that at £0.208m, the current balance on the Schools Budget General Reserve is below the £0.51m minimum prudential balance which will need to be addressed as part of the 2016-17 budget setting process (paragraph 5.16);

That the Schools Forum AGREES:

- 2.8 the transfers processed as part of the accounts closedown process to and from balances and Earmarked Reserves (paragraph 5.12);

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are intended to inform the Schools Forum of financial performance against budget in the 2014-15 financial year and to agree the year end transfers to and from balances and Earmarked Reserves.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not appropriate.

5 SUPPORTING INFORMATION

2014-15 Schools Budget Revenue Expenditure

- 5.1 Based on recommendations of the Schools Forum, the Executive Member for Children, Young People and Learning approved the Schools Budget for 2014-15 with £87.144m of grant funding. This was to be funded from the estimated amount of Dedicated Schools Grant (DSG) income that would be received from the DfE at £79.736m, anticipated income of £4.521m to reflect sixth form and post 16 SEN grant income from the Education Funding Agency (EFA) and £2.887m from the Pupil Premium. In addition to grant funding, there is also a budget of £0.030m for other general income making total estimated funding of £87.174m. 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 £0.061m to reflect revised sixth form grant income from the EFA, including income in respect of Kennel Lane Special School, with £3.614m deducted from the DSG. Of this deduction, £3.501m was in respect of the Ranelagh Academy school, as the EFA recoups this amount based on the funding allocated through the BF Funding Formula for Schools to pay Ranelagh direct, with a further £0.113m deduction to reflect outstanding adjustments for High Needs (down £0.282m) and Early Years Blocks (up £0.169m). Therefore, the final budgeted amount of funding was set at £83.621m.
- 5.3 There have also been a number of in-year changes to the overall expenditure budget. As part of the budget setting process, the Forum agreed that:
- £0.168m should be released from the Job Evaluation reserve to fund the cost of implementing the BF Supplement, which is equivalent to the cost of the Living Wage;
 - £0.259m unspent 2013-14 budget supporting Early Years providers to be made available in 2014-15 to enable on-going development of sufficient places and general support to providers;
 - £0.265m of Early Years DSG should be transferred to capital to support the delivery of additional places for 2 year olds in the private, voluntary and independent sector.
- 5.4 Furthermore, in accordance with Local Government Accounting code of practice, where schools use their revenue funding for capital related expenditure, both the funding and spend need to be transferred to the capital

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accounts. The Council was notified of a total of £0.089m of funding that needed to be converted to capital through a transfer from revenue.

- 5.5 The net effect of the budget changes set out in paragraphs 5.3 and 5.4 is that the net Schools Budget totalled £0.088m.
- 5.6 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 to schools where they 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

- 5.7 The provisional final accounts for the Schools Budget, as summarised at Annex A, shows net budget of £0.088m, expenditure of £1.088m and a cumulative over spend of £1.0m. This comprises over spendings of £2.502m against approved budget allocations and under spendings of £1.502m. These figures remain subject to change, pending external audit, although no significant movement is anticipated.
- 5.8 Some expenditure in the Schools Budget is financed from accumulated balances and earmarked reserves. Annex A sets out the transfers required as part of the accounts closedown process which are explained in more detail in paragraphs 5.10 to 5.14. Taking account of these financing adjustments, there was a net in-year over spending of £0.483m.
- 5.9 An explanation of the main changes from the approved budget plan, after transfers to or from reserves and balances are as follows:

Delegated and devolved funding:

Schools Block:

- i. **Delegated School Budgets – £0.026m under spend.** The under spending relates to the SEN specific contingency where the approved qualifying criteria resulted in £0.074m being allocated to schools from the £0.1m budget.
Statutory Regulations require balances on school budgets to be earmarked to individual schools. There was an aggregate £0.358m withdrawal from balances during the year. Note College Hall Pupil Referral Unit reserve increased by £0.007m, re note vii, making a combined withdrawal of £0.351m from school reserves.
A report on school balances is included as a separate Agenda item for this meeting.

Centrally Managed Budgets:

Schools Block:

- ii. **Pupil behaviour - £0.019m under spend.** The saving arose against staffing where a small number of vacancies occurred.
- iii. **School staff absence and other items - £0.255m under spend.** The most significant elements of the forecast under spending relate to: an

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£0.083m saving on the Early Years contingency as a result of lower growth in take up of the free entitlement than expected; £0.13m of additional sixth form grant from the EFA for post-16 high needs pupils that was originally funded from DSG; £0.19m saving from fewer than anticipated growth allocations being paid to schools experiencing significant in-year increases in pupil numbers and KS1 top up funding. In respect of over spendings, the main items are; £0.054m on school rates, which includes making a provision for cost increases of £0.084m into the School Expansion Rates Reserve to fund outstanding back-dated costs; £0.084m in respect on an interim payment relating to an Employment Tribunal; and £0.015m 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.

- iv. **Combined Service Budgets - £0.007m 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. As a consequence of increased numbers, costs of transporting looked after children to BF schools over spent by £0.016m. This was partially offset by a £0.014m 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.
- v. **Support to schools in financial difficulty – £0.115m under spend.** The Forum received a report in March setting out use of this budget that confirmed the £0.115m under spending.

High Needs Block:

- vi. **SEN provisions and support services - £1.225m over spend.** A report on the budget problems being experienced on High Needs pupils was presented to the Forum in January. At this time, a year end over spending of £1.557m was being forecast. This report set out the main reason for over spending related to an increase in the number of post-16 High Needs pupils and that forecast costs were still subject to confirmation. Actual costs for places were £0.342m lower than the forecast: post-16 places in specialist providers reduced by £0.149m following receipt of updated cost data from providers; costs at specialist providers for pre-16 reduced by £0.102m as a result of some anticipated placements not being completed to the original timescale; and cost of places in maintained schools reduced by £0.091m, with £0.03m relating to claims from schools that could not be resolved before accounts closedown but have now been paid in 2015-16. Some of the savings that have emerged at year end are likely continue into 2015-16 which will clearly assist new year budgetary performance.
- vii. **Education out of school - £0.013m over spend.** The most significant variances relate to: a £0.019m under spending on home tuition due to a lower number of pupils being supported than provided for in the budget; a £0.02m under spending on the outreach service as a result of staff vacancies; an under achievement in income of £0.017m as schools reduced the number of permanent exclusions; and £0.034m of costs from support from the LA for targeted services as previously agreed by the Forum but for which the budget had not been reset due to the funding shortfall arising from the reduced allocation of High Needs Block DSG.
Note College Hall Pupil Referral Unit under spent by £0.007m in-year.

Early Years Block:

- viii. **Early Years provisions and support services - £0.321m under spend.** The most significant variance results from not spending any of the £0.265m revenue funding set aside for capital expenditure to increase the number of places available for 2 year olds. This transfer was agreed at the start of the financial year but has been returned to the Schools Budget General Reserve. A bid for funding will be made during 2015-16 once plans have been firmed up, and this will need to take account of the lower level of available funds. The other significant variance relates to a £0.073m under spending on payments to early years providers where take up of the free entitlement was lower than expected.

Dedicated Schools Grant:

- ix. **Dedicated Schools Grant - £0.012m under spend.** The under spending relates to re-calculated DSG in respect of the Early Years Block. The January 2014 census re-calculation resulted in additional income of £0.057m, with the January 2015 re-calculation estimated to result in a claw-back of £0.045m. Early Years Block DSG is always allocated on estimates and subject to change following receipts of the actual January census data.

Year end balance:

- x. **Transfer from Earmarked Reserve - £0.483m over spend.** The balance of net aggregate spending on budgets centrally managed in the Schools Budget. This has been funded from a transfer from the Schools Budget General Reserve.

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

- 5.10 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 agreement of 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 together with current balances on the earmarked reserves of which column 5 shows total available funds at 31 March 2015 of £5.152m.

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Table 1: Earmarked reserves related to the Schools Budget

Reserve	Balance B/Forward 1-Apr-14 (1) £ 000	Movement in year (2) £ 000	Initial Balance 31-Mar-15 (3) £ 000	Year end Transfers (4) £ 000	Final Balance 31-Mar-15 (5) £ 000
<u>School Balances:</u>					
Primary	-3,003	0	-3,003	-232	-3,235
Secondary	-1,390	0	-1,390	533	-857
Special	-58	0	-58	69	11
Outstanding School loans	81	0	81	-12	69
College Hall PRU	-68	0	-68	-7	-75
(note c)	-4,438	0	-4,438	351	-4,087
<u>Earmarked Reserves</u>					
SEN Resource Units Reserve	-490	0	-490	0	-490
Schools Job Evaluation Reserve (note a)	-285	168	-117	0	-117
School Meals Re-tender Reserve	-40	0	-40	0	-40
School Expansion Rates Reserve (note d)	-112	0	-112	-84	-196
Grants unapplied (note e)	0	0	0	-14	-14
	-927	168	-759	-98	-857
<u>Schools Budget General Reserve</u>					
Unallocated brought forward balance	-691	0	-691	0	-691
Earmarked for 2014-15 Early Years spend (note b)	-259	259	0	0	0
2014-15 in-year over spend (note f)	0	0	0	483	483
	-950	259	-691	483	-208
Total earmarked reserves	-6,315	427	-5,888	736	-5,152

5.11 Column 2 from Table 1, movement in year, reconciles to the transfers previously agreed by the Forum on:

Note a: 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 b: 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

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development of a sufficient number of places for eligible 2 year olds, currently estimated at £0.141m.

- 5.12 A number of year-end transfers, as set out in column 4 of Table 1 have been processed in accordance with accounts closedown:

- Note c: School balances: Statutory Regulations require balances on school budgets to be earmarked to individual schools for use in a future financial year. There was an aggregate £0.351m withdrawal from balances during the year.
- Note d: School expansion rates reserve: a further £0.084m has been put aside in this reserve to cover the full cost currently estimated as outstanding on back-dated rates re-valuations on new and expended schools.
- Note e: Grants Unapplied Reserve: In March the DfE paid LAs a new grant to help manage the data collection required for the new Early Years Pupil Premium. This was received too late in the financial year to be spent effectively and will therefore be carried forward in 2015-16 through the Grants Unapplied Reserve.
- Note f: School Budget General Reserve: the in-year over spending of £0.483m.

- 5.13 Column 5 of Table 1 shows that the accumulated unused balance on the Schools Budget General Reserve totals £0.208m. This compares to the £0.275m over spend forecast at January, with the main changes relating to a £0.332m reduction in costs expected for High Needs Pupils, and the return of £0.265m of Early Years funding originally approved for capital expenditure that did not take place, but for which a bid is likely to come forward later this year.

- 5.14 This funding can only be used to support expenditure in the Schools Budget. Therefore, £0.208m 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.

Prudential minimum level of balances

- 5.15 In managing the Schools Budget General Reserve, the Borough Treasurer has determined that a minimum level of funds 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 and greatly assisted the funding of the significant unexpected cost pressures experienced in 2014-15.
- 5.16 Taking account of the assessed risk in terms of budget volatility and value of those items managed by the Council on behalf of schools, a sum of £0.510m was considered the minimum level of balance that needs to be held for in-year pressures. Clearly, with a current balance of £0.208m, this is below the minimum level. The budget strategy for 2016-17 will need to consider how a prudential level of balances can be created in what have already been identified as challenging circumstances.

Conclusion

- 5.17 Balances and Earmarked Reserves held in the Schools Budget are considered sufficient to meet future known cost pressures although the level of funds in the Schools Budget General Reserve available to manage unforeseen cost pressures that may arise in-year is lower than the minimum assessed level.
- 5.18 In aggregate, schools are considered to be holding sufficient balances although there has been a reduction in each of the last three years, most notably in the secondary sector where further pressure is being experienced in 2015-16, as evidenced by the number and value of loan requests, as set out in more detail on a separate agenda item.

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 2015-16 budget. The balance held in the Schools Budget General Reserve needs to be increased by £0.302m to reach the prudential minimum amount of £0.51m.

Equalities Impact Assessment

- 6.3 There are no specific impacts arising from this report.

Strategic Risk Management Issues

- 6.4 There is a risk to the Schools Budget from not having sufficient reserves to manage unforeseen in-year cost pressures. The level of balances is insufficient to cover the scale of pressure experienced in-year in 2014-15. However, that pressure has been fully funded in the 2015-16 base budget. Should there be an in-year over spending on the Schools Budget, it is likely that it would need to be financed from cost reductions in 2016-17, including the possibility of reductions in funding allocations to schools.

7 CONSULTATION

- 7.1 Not applicable.

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Background Papers

None

Contact for further information

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2014-15 PROVISIONAL OUTTURN STATEMENT FOR THE SCHOOLS BUDGET										
	Approved Budget			Outturn	Estimated Variance			Transfer	Final	Note
	Expenditure	Income	Net	Net Spend	Under spending	Over spending	Net variance	to(+) / from(-) reserves	variance	
	£000	£000	£000		£000	£000	£000	£000	£000	
<u>Delegated and devolved funding</u>										
Delegated School Budgets	67,044	0	67,044	67,375	-26	358	332	-358	-26	i
Other School Grants	2,887	-7,469	-4,582	-4,582	0	0	0	0	0	
	69,931	-7,469	62,462	62,793	-26	358	332	-358	-26	
<u>LEA managed items</u>										
Schools Block										
Pupil behaviour	323	-7	316	297	-29	10	-19	0	-19	ii
School staff absence and other items	1,163	-20	1,143	803	-522	182	-340	84	-255	iii
Combined Service Budgets	690	0	690	683	-35	28	-7	0	-7	iv
Support to schools in financial difficulty	115	0	115	0	-115	0	-115	0	-115	v
High Needs Block										
SEN provisions and support services	6,532	0	6,532	7,758	-550	1,775	1,225	0	1,225	vi
Education out of school	1,116	-3	1,113	1,119	-46	52	6	7	13	vii
Early Years Block										
Early Years provisions and support services	4,104	0	4,104	3,769	-387	52	-335	14	-321	viii
	14,043	-30	14,013	14,429	-1,684	2,099	415	105	521	
Transfer Early Years funds to capital	-265	0	-265	0	265	0	265	-265	0	
Dedicated Schools Grant	0	-76,122	-76,122	-76,134	-57	45	-12	0	-12	ix
Over spend to be financed from draw down from Earmarked Reserve								-483	-483	x
TOTAL - Schools Budget	83,709	-83,621	88	1,088	-1,502	2,502	1,000	-1,000	0	
Net variance	<div>1,000</div>									

See paragraph 5.9 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 11 £2.909m March 12 £4.627m March 13 £4.573m March 14 £4.438m March 15 £4.087m
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 March 15 £0.490m
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 £0.285m March 15 £0.117m
School Meals Catering Re-tendering Reserve	To set aside an earmarked reserve for the School Meals Catering Re-tendering exercise	To help finance costs arising from the implementation of the Job Evaluation Review.	March 14 £0.040m March 15 £0.040m
Schools Expansion Rates Reserve	To set aside an earmarked reserve for the rates costs associated with school expansions.	To help finance costs arising from the school expansion programme.	March 14 £0.112m March 15 £0.196m
Grants unapplied Reserve	To set aside in a reserve unspent Schools Budget related grants where there are no restrictions applied to the spending from the grant awarding body.	To facilitate the transfer of unspent grant balances between financial years.	March 15 £0.014m

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Reserve	Purpose	Policy	Value
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 11 £0.595m March 12 £0.398m March 13 £0.517m March 14 £0.691m March 15 £0.208m