

**TO: SCHOOLS FORUM**  
**DATE: 15 SEPTEMBER 2016**

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**2015-16 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 2015-16 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 2015-16, subject to audit, shows net income of £0.463m which represents an under spending of £0.81m before allocation of reserves and balances (paragraph 5.6);
- 2.2 that after transfers to and from earmarked reserves, the Schools Budget under spent by £1.165m (paragraph 5.7);
- 2.3 the main reasons for budget variances (paragraph 5.8);
- 2.4 as at 31 March 2016, the aggregate surplus on balances and Earmarked Reserves within the Schools Budget amounts to £5.589m (paragraph 5.9);
- 2.5 the previously agreed transfers to and from Earmarked Reserves (paragraph 5.10);
- 2.6 the transfers to and from balances and Earmarked Reserves processed as part of the accounts closedown process (paragraph 5.11);
- 2.7 the £1.373m current balance on the Schools Budget General Reserve (paragraph 5.12);
- 2.8 to recognise the increasing difficult financial circumstances that schools are operating under, the decision of the Borough Treasurer to increase the minimum prudential level of balances by £0.15m to £0.66m (paragraph 5.15).

**That the Schools Forum AGREES:**

- 2.9 The new allocations proposed from the Schools Budget General Reserve (paragraph 5.16).

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1 The recommendations are intended to inform the Schools Forum of financial performance against budget in the 2015-16 financial year including the year end transfers to and from balances and Earmarked Reserves.

### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Not appropriate.

### **5 SUPPORTING INFORMATION**

#### 2015-16 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 2015-16 with £91.947m 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 £82.179m, anticipated income of £4.644m to reflect sixth form and post 16 SEN grant income from the Education Funding Agency (EFA), £3.345m from the Pupil Premium grant, £1.487m from the Universal Infant Free School Meal grant and £0.292m from the Primary PE and Sports grant. In addition to grant funding, there is also a budget of £0.032m for other general income expected to be earned making total estimated funding of £91.979m. Spend proposals to this level were also agreed, resulting in a net nil budget.
- 5.2 Subsequent to this decision, anticipated DSG income has been updated to reflect updated grant notifications from the DfE, including reductions arising from academy schools where the amount due from the BF Funding Formula for Schools is recouped from the council to directly fund academy schools. The final adjustments were:
- £3.492m deduction for Ranelagh academy
  - £0.467m deduction for St Margaret Clitherow Primary academy (conversion from 1 September 2015)
  - £0.033m reduction to High Needs Block funding following changes to the number of places in specialist providers taken by BF students to be directly funded by the EFA and other related adjustments
  - £0.025m increase to Early Years Block funding in-line with actual head count data which updated the estimate used in the initial funding allocation.

The changes to DSG income are matched off by corresponding adjustments against the relevant expenditure budget, to result in a net nil overall effect. Therefore, the final budgeted amount of income was set at £88.012m.

- 5.3 As part of the budget setting process, the Forum also agreed that some expenditure should be funded through transfers from Earmarked Reserves and these were added in-year to the budget as follows:

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- The final £0.117m from the Job Evaluation reserve should be released to part fund the cost of implementing the BF Supplement, which is equivalent to the cost of the Living Wage;
- £0.209m should be released from the SEN Resource Unit Reserve to finance start-up costs at the new Rise @GHC autistic spectrum disorder (ASD) unit.

Subsequent to agreeing the initial £0.209m transfer, in October the Forum agreed a further £0.020m funding should be released from the SEN Resource Unit Reserve to reflect the actual costs which could be confirmed once September pupil admissions were agreed.

- 5.4 The net effect of the budget changes set out above is that the final net Schools Budget totalled £0.346m.
- 5.5 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 i.e. Element 3 top up funding, 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

- 5.6 The provisional final accounts for the Schools Budget, as summarised at Annex A, shows net budget of £0.346m, net income of £0.463m and a cumulative under spend of £0.81m (rounded). This comprises over spendings of £1.95m against approved budget allocations and under spendings of £2.76m. These figures remain subject to change, pending external audit, although no significant movement is anticipated.
- 5.7 Some expenditure in the Schools Budget is ultimately 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 5.9 to 5.13. Taking account of these financing adjustments, there was a net in-year under spending of £1.165m.
- 5.8 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 – £0.035m under spend.** The under spending relates to the SEN specific contingency where the approved qualifying criteria resulted in £0.065m being allocated to schools from the £0.1m budget.

Statutory Regulations require balances on school budgets to be earmarked to individual schools. As can be seen at Annex A, there was an aggregate £0.68m withdrawal from balances during the year.

A report on school balances is included as a separate Agenda item for this meeting.

## **Centrally Managed Budgets:**

### **Schools Block:**

- ii. **Pupil behaviour - £0.053m under spend.** The main savings arose from; £0.029m on staffing as a result of vacancies; £0.015m on premises costs following the move to the Bracknell Open Learning Centre; and £0.01m on general supplies and services.
- iii. **School staff absence and other items - £0.148m over spend.** The most significant elements of under spending relate to: a £0.093m saving on the School and Early Years specific contingencies as a result of less schools and providers meeting qualifying criteria, most notably in respect of allocations to support school compliance with infant class size regulations; £0.027m saving on premature retirement and dismissal costs and schools staff suspensions. In respect of over spendings, the main items are; £0.248m on school rates, which relates to making a provision into the School Expansion Rates Reserve for cost increases expected on outstanding back-dated charges from the new and expanded schools building programme; £0.011m in respect of external professional fees relating to an on-going Employment Tribunal case; and £0.026m on centralised copyright fees where the DfE has negotiated a discounted rate for all schools in England, the scope of which has again been extended with a consequential cost increase.
- iv. **Combined Service Budgets - £0.117m under spend.** These budgets support vulnerable school children and when combined with budgets for similar services that are funded by the Council can result in a greater overall impact and educational benefit. There was a £0.073m saving as a result of changing the services provided at the Child Development Centre under Service Level Agreement with Action for Children in order to improve frontline services and strengthen Bracknell Forest's Early Help offer. These savings mainly relate to reduced accommodation and overhead costs previously charged by Action for Children. A further saving of £0.02m arose as a result of being able to retain unspent looked after children pupil premium grant.
- v. **Support to schools in financial difficulty – £0.015m under spend.** The Forum received a report in March setting out use of this budget that confirmed the £0.015m under spending.

### **High Needs Block:**

- vi. **SEN provisions and support services - £0.983m under spend.** This is the most significant area of budget variation and various reports have previously been provided to the Forum to explain the changing legislation, transfer of funding responsibilities to the Schools Budget and volatility on this high cost budget area. In terms of the outturn variances, an analysis of the external placements budget shows:
  - At 157.7, there were 9.2 less placements than anticipated in the budget. With an original estimated average cost of £0.038m, this results in a saving of £0.35m
  - At £0.034m the average cost of placement is £0.004m less than the original estimate. This results in a £0.692m under spending and has arisen from better commissioning, mainly in post-16 where costs have been reduced through challenging providers to demonstrate charges and holding better

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information on students from that previously provided by the EFA at the point of responsibility transferring to LAs, as well as moving some students out of Independent Specialist Providers into more cost effect college placements.

- The budget was reduced in-year by £0.179m to reflect the transfer of funds to the Rise@GHC (£0.145m) where students are now placed rather than using out of borough schools and also a reduction in High Needs Block DSG (£0.034m) required a corresponding reduction in expenditure budgets.

In respect of Kennel Lane Special School, there was additional post 16 SEN grant income from the Education Funding Agency above budget of £0.093m resulting in a corresponding saving. In terms of placements, whilst these have remained fairly static, the profile of needs has changed whereby around 9 students with no element 3 top up funding have moved and been replaced by 5 students each with £0.012m top up and a further 4 students each with £0.025m top up. Overall, additional top up payments of £0.185m were made.

The final significant variance relates to a £0.067m under spending on staffing across the various support services and in general arose from vacancies.

- vii. **Education out of school - £0.011m under spend.** The most significant variances relate to: a £0.024m over spending on home tuition due to a higher number of pupils being supported than provided for in the budget; a £0.022m over spending on new costs now being charged in respect of education provision for young people subject to residential hospital placements, usually as a result of a Children and Adolescent Mental Health Service (CAMHS) referral that are allowed within DfE funding regulations; an over achievement in income of £0.026m as more pupils were subject to managed moves to College Hall PRU and £0.028m unbudgeted income from Windsor and Maidenhead Council in respect of out of borough pupils placed at College Hall.

### Early Years Block:

- viii. **Early Years provisions and support services - £0.087m under spend.** The most significant variance results from a £0.055m under spending on the free entitlement to childcare for 2 year olds as take up was lower than anticipated. The other major variance relates to a £0.035m under spend on the new Early Years Pupil Premium grant as the DfE are allowing LAs to retain under spendings in the first year of this new grant as eligible numbers have been lower than anticipated.

### 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 2014-15 accounts included a provision for the adjustment due to be made in June 2015 and this was £0.017m higher than the actual amount, therefore generating a saving in 2015-16.

### Year end balance:

- x. **Transfer from Earmarked Reserve - £1.165m under spend.** The unspent balance of net aggregate spending on budgets centrally managed in the Schools Budget. This amount is transferred to the Schools Budget General Reserve.

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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

- 5.9 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 2016 of £5.589m.

Table 1: Earmarked reserves related to the Schools Budget

Reserve	Balance B/Forward 1-Apr-15 (1) £ 000	Movement in year (2) £ 000	Initial Balance 31-Mar-16 (3) £ 000	Year end Transfers (4) £ 000	Final Balance 31-Mar-16 (5) £ 000
<u>School Balances:</u>					
Primary	-3,236	0	-3,236	151	-3,085
Secondary	-856	0	-856	33	-823
Special	10	0	10	-17	-7
Outstanding School loans	69	0	69	512	581
College Hall PRU	-74	0	-74	0	-74
<b>(note c)</b>	-4,087	0	-4,087	680	-3,408
<u>Earmarked Reserves</u>					
SEN Resource Units Reserve <b>(notes a and d)</b>	-490	229	-261	-55	-316
Schools Job Evaluation Reserve <b>(note b)</b>	-117	117	0	0	0
School Meals Re-tender Reserve	-40	0	-40	0	-40
School Expansion Rates Reserve <b>(note e)</b>	-196	0	-196	-248	-444
Grants unapplied <b>(note f)</b>	-14	0	-14	6	-8
	-857	346	-511	-297	-808
<u>Schools Budget General Reserve</u>					
Brought forward balance	-208	0	-208	0	-208
Transfer to rates reserve	0	0	0	248	248
2015-16 in-year under spend <b>(note g)</b>	0	0	0	-1,413	-1,413
	-208	0	-208	-1,165	-1,373
<b>Total earmarked reserves</b>	<b>-5,152</b>	<b>346</b>	<b>-4,806</b>	<b>-782</b>	<b>-5,589</b>

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5.10 Column 2 from Table 1, movement in year, reconciles to the transfers previously agreed by the Forum and referenced to earlier at paragraph 5.3:

Note a: 15 January 2015: that £0.209m is drawn down from the SEN Resource Units Reserve to fund estimated start-up costs at the Rise@GHC ASD unit. Once actual pupil placements for September 2015 were agreed, in October, the Forum agreed a further £0.020m allocation was required to fund the actual costs.

Note b: 15 January 2015: that the remaining £0.117m is drawn down from the Job Evaluation Reserve to part fund the costs to mainstream schools and Kennel Lane Special School arising from implementation of the Bracknell Forest Supplement – the equivalent of the Living Wage - for non-teaching staff in schools.

5.11 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 £0.680m withdrawal from balances during the year as schools spent a part of their accumulated surpluses.

Note d: SEN Resource Unit reserve: The medium term funding model for Rise@GHC, as agreed by the Forum, requires annual contributions from the Schools Budget of £0.055m to cover anticipated costs until the Unit reaches an economic size.

Note e: School expansion rates reserve: a further £0.248m has been put aside in this reserve to cover the full estimated cost due on outstanding, back-dated rates re-valuations relating to new and recently expanded schools.

Note f: Grants Unapplied Reserve: The DfE paid LAs a grant to help manage the data collection required for the new Early Years Pupil Premium. £0.006m of this was spent in year and was financed from a drawn down from the Grants Unapplied Reserve.

Note g: Schools Budget General Reserve: the in-year under spending on centrally managed budgets of £1.165m.

5.12 Column 5 of Table 1 shows that the accumulated unused balance on the Schools Budget General Reserve totals £1.373m. Annex B provides a summary of the purpose and policy of each reserve together with recent levels of funds.

This funding can only be used to support expenditure in the Schools Budget and proposals for use of some of this amount are set out below in paragraph 5.16.

5.13 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 accounts. The Council was notified of a total of £0.028m of funding that needed to be converted to capital through a transfer from revenue. This is a

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general funding adjustment, and is not therefore included within Schools Budget earmarked reserves at Table 1 above. Adding this £0.028m reduction in funding to the net £0.782m transfer to reserves in column 4 of Table 1 reconciles to the £0.81m net total transfer to reserves shown in Annex A.

### Proposed use of Schools Budget General Reserve

- 5.14 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.
- 5.15 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. Each year this amount is reviewed, and recognising the increased difficulties schools are experiencing in balancing budgets, as evidenced in the increase both in drawing down of reserves and seeking loan advances and the new emerging risks around the DfE funding review and academy conversions indicates the need to increase the minimum level of reserves by £0.15m to £0.66m.
- 5.16 In order to better manage future known pressures, it is proposed to make further contributions to earmarked reserves from the general reserve as follows:
- £0.213m to cover the planned over allocation of funding that was agreed would be used by the Forum in setting the 2016-17 budget in January 2016
  - £0.1m as a contribution to start-up costs for the SEN Resource Unit planned for Binfield Learning Village which will experience the same diseconomies currently being felt at Rise@GHC
  - £0.3m as a contribution to start-up costs in mainstream schools which has previously been reported to the Schools Forum as a particular concern, taking account of the high number of new schools expected to open over the short to medium term

Taking account of these adjustments results in the balance on the Schools Budget General Reserve reducing from £1.373m to £0.76m, which is £0.1m above the minimum prudential level and provides flexibility to manage a degree of in-year cost pressures, should they arise.

### Conclusion

- 5.17 Taking account of the proposals in this report, balances and Earmarked Reserves held in the Schools Budget are considered sufficient to meet future the immediate known cost pressures from local factors, although other pressures will arise from national factors, of which the actual cost, and availability of new resources to fund them is not know at this stage.



## **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 2016-17 budget, most notably relating to the on-going under spend on High Needs Budgets which will be available to finance the increased number of pupils expected to require additional support which would otherwise have created a new budget pressure.

### 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. This is mitigated by holding a minimum prudential level of reserves of £0.66m.

## **7 CONSULTATION**

- 7.1 Not applicable.

### Background Papers

None

### Contact for further information

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### Doc. Ref

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## 2015-16 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			
<b>Delegated and devolved funding</b>										
Delegated School Budgets	68,164	0	68,164	68,810	-35	680	645	-680	-35	i
Other School Grants	5,124	-9,768	-4,644	-4,644	0	0	0	0	0	
	<b>73,288</b>	<b>-9,768</b>	<b>63,520</b>	<b>64,166</b>	<b>-35</b>	<b>680</b>	<b>645</b>	<b>-680</b>	<b>-35</b>	
<b>LEA managed items</b>										
<b>Schools Block</b>										
Pupil behaviour	320	-8	312	259	-55	2	-53	0	-53	ii
School staff absence and other items	883	-20	863	764	-399	299	-100	248	148	iii
Combined Service Budgets	688	-1	687	571	-137	20	-117	0	-117	iv
Support to schools in financial difficulty	75	0	75	60	-15	0	-15	0	-15	v
<b>High Needs Block</b>										
SEN provisions and support services	8,375	0	8,375	7,333	-1,313	275	-1,038	55	-983	vi
Education out of school	1,186	-3	1,183	1,172	-58	47	-11	0	-11	vii
<b>Early Years Block</b>										
Early Years provisions and support services	3,543	0	3,543	3,463	-701	620	-81	-6	-87	viii
	<b>15,070</b>	<b>-32</b>	<b>15,038</b>	<b>13,622</b>	<b>-2,678</b>	<b>1,263</b>	<b>-1,415</b>	<b>297</b>	<b>-1,118</b>	
<b>Transfer school revenue funding to capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-28</b>	<b>-28</b>	<b>0</b>	<b>-28</b>	<b>28</b>	<b>0</b>	
<b>Dedicated Schools Grant</b>	<b>0</b>	<b>-78,212</b>	<b>-78,212</b>	<b>-78,223</b>	<b>-19</b>	<b>7</b>	<b>-12</b>	<b>0</b>	<b>-12</b>	<b>ix</b>
<b>Under spend to be transferred to Earmarked Reserve</b>								<b>1,165</b>	<b>1,165</b>	<b>x</b>
<b>TOTAL - Schools Budget</b>	<b>88,358</b>	<b>-88,012</b>	<b>346</b>	<b>-463</b>	<b>-2,760</b>	<b>1,950</b>	<b>-810</b>	<b>810</b>	<b>0</b>	
<b>Net variance</b>			<b>-810</b>							
<b>Unallocated balance at 1 April 2015</b>								<b>-208</b>		
<b>Under spend to be transferred to Earmarked Reserve</b>								<b>-1,165</b>		
<b>Provisional unallocated balance at 1 April 2016</b>								<b>-1,373</b>		
<b>Amount above the prudential minimum balance of £0.51m</b>								<b>-863</b>		

See paragraph 5.8 for an explanation to the notes to variances. Note roundings may result in totals not cross checking

## 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 12 £4.627m March 13 £4.573m March 14 £4.438m March 15 £4.087m March 16 £3.408m
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 March 16 £0.316m
Job Evaluation	To set aside an earmarked reserve for the Job Evaluation exercise  This reserve is now fully spent and therefore closed.	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 March 16 nil
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 March 16 £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 March 16 £0.445m
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 March 16 £0.008m

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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 12 £0.398m March 13 £0.517m March 14 £0.691m March 15 £0.208m March 16 £1.373m