

SCHOOLS FORUM

2014/15 SCHOOLS BUDGET OUTTURN

18 JUNE 2015

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	x	Pre School	x
Academies	x	Foundation Stage	x
PVI Settings	x	Primary	x
Special Schools / Academies	x	Secondary	x
Local Authority	x	Post 16	
		High Needs	

Purpose of Report

Content Requires;		By;	
Noting	x	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	x

1. This report presents the 2014/15 Schools Budget outturn position and confirms the Dedicated Schools Grant (DSG) Reserve and its intended use.

Recommendations

2. That Schools Forum note the financial outturn for the 2014/15 Schools Budget (paragraphs 4 - 8).
3. That Schools Forum note the level of DSG reserve and it's deployment (paragraphs 9 - 11).

2014/15 Schools Budget Outturn

4. The 2014/15 Outturn position for the Children and Family Services is summarised in the following table. This table presents both the Local Authority and Schools Budget for completeness but the report presents detail only for the Schools Budget funding blocks.
5. Overall the Schools Budget underspent by £2.994m (Schools Block £0.132m, Early Years £1.415m, High Needs £1.447m) which is summarised in the following table;

	2014/15 Budget	Total (Under) / Over Spend		Variance Schools Block	Variance Early Years Block	Variance High Needs Block	Variance LA Block
	£,000	£,000	%	£,000	£,000	£,000	£,000
Directorate	1,510	-7	-5%	-1	-2	-6	-69
Safeguarding Assurance	2,943	-26	-1%	0	0	0	-26
Social Care	32,084	1,576	5%	0	0	0	1,576
Targeted Early Help	12,600	-839	-7%	0	0	0	-839
Education Sufficiency	1,175	11	1%	-50	0	95	-35
CFS General	-76,453	-1,957	-3%	-2	-1,089	692	-1,558
Education Quality	26,593	-544	-2%	-1	-324	0	-219
Education of Vulnerable Groups	8,070	-113	-1%	0	0	295	-408
Commissioning Transformation	48,329	-2,668	-6%	0	0	-2,524	-144
Business Support	75	0	0%	0	0	0	0
	4,057	-1,086	-27%	-80	0	0	-1,005
Total	60,983	-5,722	9%	-134	-1,415	-1,448	-2,727

6. The major variances within the School Budget are detailed below;

Service Area	Variance		
	£,000	%	
<u>Early Years Block</u>			
Free Entitlement to Early Education 3 & 4 year olds	-198	-1.1%	Lower than anticipated take up
Dedicated Schools Grant	-1,089	-4.7%	Higher pupil numbers in early years census than 2014/15 DSG settlement
Early Learning and Childcare	-524	-11.1	Demand for the 2 year old offer to early education was lower than estimated, staffing costs were lower than estimated as a result of vacancies

High Needs Block			
Alternative Provision	85	n/a	Transitional costs arising from the transfer of KS3 provision to behaviour partnerships. It was planned to be funded from the DSG reserve but have now been absorbed into the year end position.
Children with Medical Needs	103	21.3%	The overspend relates to additional demand as a result of the national increase to full time provision. The departmental Transformation Programme is considering how this provision should be delivered in the future.
Autism Intensive Support	197	50.5%	The number of children requiring support has increased. The department is actively looking for alternative types of support which may reduce future costs.
Special Educational Needs	-1,832	-3.8%	A high level of contingency has been held in the budget to mitigate risks arising from the change in the participation rate and post 16 provision, additionally the EFA continue to make changes in arrangements to fund post 16 provision. For 2015/16 contingency has been used to fund an increase in the top up rates payable to special schools and units to reflect the increase in mainstream school funding.

7. It is not possible to present headline data on the level of school balances until the return of the Consistent Financial Reporting returns due to the Local Authority in mid-June and the subsequent isolation of balances that may be held on behalf of academies where the financial closedown of the former maintained school accounts has yet to be completed. Whilst school balances may be seen as an indicator of financial health, given the number of schools that have converted to academy status it is not possible to gain an overview of all schools. Schools Forum will receive the full detail of maintained school balances at its meeting in September.
8. The full underspend of £2.994m is carried forward to the DSG reserve.

Dedicated Schools Grant Reserve

9. An updated position on the DSG reserve was incorporated into the 2015/16 Schools Budget report presented to Schools Forum on 23 February 2015. This position was based upon the financial forecast at period 9 and identified a balance (after 2015/16 allocations to services) of £1.323m, the following table presents the movement from that position;

	£,000	Narrative
Balance as at 23 February 2015	1,323	Projected balance per period 9 budget monitoring and after allocations to 2014/15 budget per report to Schools Forum 13/2/14 – 2014/15 Schools Budget
Post February movements;		
Reduction in allocation to 2014/15 budget	705	Budgeted allocation reduced from £1.25m to £0.545m
KS3 Transition	197	Reserves were set aside to meet the transitional costs arising from KS3 transfer from Oakfield to Behaviour Partnerships, the cost was absorbed into the 2015/16 underspend
Rates Adjustment	253	Funding was set aside to meet rate revaluation costs from academies which related to pre conversion, costs were not as high as anticipated.
Primary Behaviour Partnerships	31	Funding has been committed to meet the administration costs arising from the development of a traded offer for primary behaviour support from Oakfield. Schools are being consulted and take up will be assessed prior to determining what offer will be available from September.
Increase in underspend	373	The 2015/16 Schools Budget was set on the forecast underspend at the end of December, the final three months of the financial year saw an increase over that reported
Revised Unallocated DSG Balance 31st March 2015	2,882	To be held in reserves and allocated to meet the revenue costs of commissioning places in new schools

10. The annual movement and allocation of the 2014/15 DSG reserve is shown in the following table;

	£,000
Balance as at April 1 2014	9,595
Allocated to 2014/15 Schools Budget	(545)
Allocation to 2015/16 School Budget	(715)
Maintained School Deficit Write Offs on Sponsored Academy Conversion	(964)
Academy Pre Conversion Rate Revaluations	(248)
2014/15 Underspend	2,994
Provision held for Maintained School Deficit Write Offs on Sponsored Academy Conversion*	(3,536)

Provision for Commissioning Places in New Schools	(3,700)
Unallocated Balance 31/3/15	2,882
<i>To be held to meet future costs of commissioning places in new schools – total provision £6.582m</i>	<i>0.7% Total DSG 3.7% Non-Schools DSG</i>

* It is estimated that maintained schools that were required to enter into sponsored academy arrangements on 1 April 2015 will result in a further deficit write off of £1.2m reducing this provision to £2.3m.

11. The County Council's Medium Term Financial Strategy (MTFS) has required the Schools Budget to be set at the level of DSG with no financial contribution from the Council. This requires the Local Authority to consider future issues that may give rise to a call on DSG and plan accordingly. The following sections of this report sets out a number of those issues which identify a need to retain.

New Schools

12. Significant housing development is planned across Leicestershire over the medium term and that that this will require 18 new schools, 16 primary and 2 secondary totalling that 7,830 new places and a 9% increase over the October 2014 school population. Additionally over this same period of time general demographic growth is estimated to be in the region of 2% - 3%.
13. Under the current financial regulations local authorities are required to fund opening schools based upon estimated pupil numbers from the point at which they open until all year groups are full. As with schools the Local Authority is funded by the October census preceding the financial year, this results in a 7 month period during which additional school places must be funded but no DSG is received for the additional pupil. It is not possible to be precise over the financial implications as that will be dependent upon actual pupil numbers and the manner in which schools expand, current estimates suggest a total unfunded cost in the region of £19m over the period 2016-2024.
14. Commissioning places in new schools is the most significant financial pressure DSG has experienced and the Local Authority will determine what actions need to be taken and at what point as information becomes more certain. The first of those actions is to retain the DSG underspend for this purpose.
15. The expected increase in the school population, both in terms of housing and demographic growth, is likely to have a future impact on other DSG funded services such as special educational needs and early years.

Impact of New Government Policy

16. There is no indication as yet on what impact any new education policy will have on funding, uncertainty exists in a number of areas;
- 16.1 The coalition government declared its intention to move towards a national funding formula schools '*... when the time is right*' and '*.....when the government has set spending plans over a longer period of time*'. Given the

timing of the election and uncertainty over the timing of a Comprehensive Spending Review it would appear unlikely that school funding will change for 2016/17. This leaves uncertainty about what a national formula would look like and how it would be funded

- 16.2 The Conservative Manifesto declared an intention to include the additional 2015/16 school funding into baseline allocations, this has as yet to be formally confirmed.
- 16.3 The Department for Education (DfE) commissioned a research project and launched a call for evidence with the objective of finding new and improved formula factors for distributing funding for SEND. The outcome of this research and any recommended changes has yet to be announced. Leicestershire was a participant in this research which appeared to focus on proxy indicators of need and how this would link to commissioned places rather than the wider High Needs distribution which was a concern officers raised. Currently Leicestershire spends £2.9m in excess of the DSG settlement in this area, any change in distribution needs to be carefully assessed.
- 16.4 Changes in the manner in which the two year old offer of the early entitlement to free education resulted in a significant reduction in the funding available to fund the early learning and childcare service and a future long term funding strategy need to align with the review of service provision currently taking place within the departments transformation programme. The Government has pledged to double the offer for 3 and 4 year olds, any change in policy in this area will be a concern if not fully funded currently the cost of the entitlement is £21.6m against a DSG allocation of £22.6m.

Local Factors

17. The allocation of the additional 2015/16 school funding was based upon an analysis of the Leicestershire school funding formula when compared to statistical neighbours, yet despite the supporting evidence base there remains a view that the outcome penalised secondary schools although no school saw decreased funding as a result of the change. The formula has been reviewed in each of the last two years, however until the Government's intention on the future of school funding.
18. Age range change is expected to continue across a number of schools in the medium term and there is little to suggest that funding policy and regulations will change in this area. There are no plans to review the operation of the scheme currently in place.
19. Developing school funding strategy has become more difficult as local discretion has been removed, any move to a national funding formula may further erode the ability of local authorities to reflect local circumstances in funding allocations. Little data is available on the financial performance of academies and the challenges they face. This is a particular challenge given that almost all secondary schools are now academies. The Local Authority has and continues to have, difficulties in engaging schools in developing funding solutions. The finance service held finance briefings for schools in March which were well attended by business managers, volunteers were sought to work with the Local Authority in modelling future changes in school funding. Despite c200 attendees only two volunteers came forward.

Conclusions

20. 2014/15 has delivered an underspend on the Schools Budget and allows reserves to be set-aside in order to provide some funds to allow the Local Authority to respond to some extremely challenging issues both in terms of funding requirements and potential changes to education policy.
21. There remains uncertainty around school funding not least the level of protection to be given and future direction. Any review of the school funding formula would need to be cost neutral and would result in a recirculation of current funding which would likely result in schools being supported by the Minimum Funding Guarantee (MFG), one objective of the allocation of the additional funding in 2015/16 was to remove the reliance on this funding. Any review should take place only when the funding policy of the new Government can be assessed.
22. It would not be appropriate to review the policy for funding schools that are undertaking or affected by age range changes, it is clear that there is no solution that will meet the expectations of all schools without a significant cash injection which is not an affordable solution, nor could it be certain that any proposed solution would fit into whatever school funding policy will be in 2016/17.

Resource Implications

23. All resource implications are contained within the body of the report.

Equal Opportunity Issues

24. There are no equality issues arising directly from this report.

Background Papers

2015/16 Schools Budget - Schools Forum, 23 February 2015

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