



SCHOOLS FORUM

2012/13 SCHOOLS BUDGET OUTTURN

20 JUNE 2013

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 2012/13 Schools Budget outturn position for 2012/13 and confirms the Dedicated Schools Grant (DSG) Reserve.

Recommendation

2. That Schools Forum note the financial outturn for the 2012/13 Schools Budget (paragraphs 5 & 6).
3. That Schools Forum note the level of DSG reserve and it's recommended deployment (paragraphs 9-14).

2012/13 Schools Budget Outturn

4. The 2012/13 Outturn position for the Children and Young People's Service 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.
5. Overall the Schools Budget underspent by £2.471m. DSG gains on Academy conversion as a result of rates and insurance adjustments contribute a further £1.601m to the DSG underspend. The combined impact is a DSG underspend of £4.072m;

	2012/13 Budget	Total (Under) / Over Spend		Variance Schools Block	Variance LA Block
	£,000	£,000	%	£,000	£,000
Directorate	818	(106)	(12.9%)	(18)	(88)
Universal Services	19,868	(260)	(1.3%)	10	(270)
Targeted Services	27,786	(2,692)	(9.7%)	(2,149)	(543)
Strategic Initiatives	6,595	(1,563)	(23.7%)	(486)	(1,077)
Specialist Services	33,536	1,276	3.8%	0	1,276
CYPS Other	(45,654)	(1,545)	(3.4%)	172	(1,716)
DSG Academy Adjustment		(1,601)	n/a	(1,601)	0
Total	42,949	(6,491)	(15.1%)	(4,072)	(2,418)

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

Service Area	Variance		
	£,000	%	
Nursery Education Funding	(162)	(0.1%)	The free entitlement to nursery education is 38 weeks per academic year. The number of school days in a financial year is variable, this is a managed underspend which will carry forward resources to meet the increased number of school days in the 2013/14 financial year.
Harnessing Technology	180	0	Financial commitment to the former embc contract ceased in October 2012, £1.5m was retained within

			the DSG reserve to meet uneven costs between the 2011/12 and 2012/13 financial years to offset this overspend resulting in the £1.5m remaining in reserves as detailed in the meeting of February 21st.
Special Educational Needs	(2,047)	(11.9%)	The number of new out county placements has been reduced as a result of the increase in capacity at Birchwood and the development of autism outreach service both delivered through invests to save schemes. The stringent management of contracts for out county places has also contributed to this underspend.
Autism Intensive Support	(156)	(40.1%)	Savings on utilities and staffing arising from the opening of the Braunstone unit
Behaviour Support	150	4.0%	Savings target not achieved. Project currently considering the future of the service which will result in additional devolved funding to Behaviour Partnerships from September 2013. Current level of expenditure will be maintained
Insurance	(141)	(18.9%)	Reduced insurance costs as a result of academy conversion
School Budget Contingencies	(295)	(57.5%)	Reduced level of calls on budget. This budget is delegated in 2013/14.
Dedicated Schools Grant	171	(0.4%)	Additional 2012/13 grant is offset by LACSEG recoupment
Dedicated Schools Grant	(1,601)	N/A	<p>The Leicestershire funding formula funds school rates at actual cost, an academy has charitable status and can claim 80% tax relief on its rates cost. As a result when the EFA recoup funding from local authorities on academy conversion they remove the amount that they need to pay them i.e. 20% of the actual cost, the remaining 80% funding is left with the local authority.</p> <p>This DSG gain will be less in 2013/14 as the reduction in rates at the point of academy conversion has been factored into school</p>

			budgets from their expected conversion date. It should be noted however that where schools have delayed conversion rates within their delegated budget are insufficient to meet costs, Rates adjustments are now retrospective but the EFA have been approached to determine whether they will allow the allocation of funding in year for those schools most severely affected by this and rental costs.
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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. Schools Forum will receive the full detail of school balances at its meeting in September.
8. As a ringfenced grant, Dedicated Schools Grant (DSG) may only be used for the purpose of the Schools Budget and any underspend must be carried forward to future funding periods. It is necessary to carry forward two specific budget underspends as a result of an increased number of school days in 2013/14;
- Nursery Education Funding £162,000
 - Special Educational Needs £96,000

The remaining underspend will transfer to the DSG reserve.

Dedicated Schools Grant Reserve

9. An updated position on the DSG reserve was incorporated into the 2013/14 Schools Budget report presented to Schools Forum on 21 February 2013. This position was based upon the financial forecast at period 9 and identified a balance (after 2013/14 allocations to services) of £1.913m, under spends and carry forwards change this position as shown in the following table;

	£,000	Narrative
Balance as at 21 February 2013	1,913	Projected balance per period 9 budget monitoring and after allocations to 2013/14 budget per report to Schools Forum 21/2/13 – 2013/14 Schools Budget
Post February Movements;		
Increased DSG release - rates and insurance adjustments	(147)	Total rates and insurance adjustment on academy conversion estimated at £1.748m in February was £1.062m on outturn
Increase in Underspend from the position	1,454	The projected underspend increased over the final periods of the financial year. The significant

reported in February		variance being SEN expenditure which underspent by £2.027m at outturn (£1.115m period 9 projection) as a result of management actions and invest to save projects.
Special Educational Needs Carry Forward	(96)	To even out uneven expenditure patterns created as a result of the movement in school days in the 2013/14 financial year. Under the new funding system schools receive top up funding based upon school days.
Nursery Education Funding Carry Forward	(162)	To even out uneven expenditure patterns created as a result of the movement in school days in the 2013/14 financial year.
Revised DSG Balance	2,962	2012/13 year end position
2013/14 Allocation of Funding;		
Provision for cost of education for children with medical needs	(377)	<p>In setting the 2013/14 Schools Budget no provision was made for meeting the education needs of pupils on medical grounds as information suggested that these costs would be fully met by local authorities with Hospital School provision, the risks associated with this were identified in the budget setting report. It is becoming clear that there will be costs associated with 'off ward' provision which is more aligned with alternative provision.</p> <p>Discussions are still being held with Leicester City Council who are the largest service provider and it would be prudent to make budget provision of £350k plus £27k to continue the employment of a co-ordinator to ensure the local authorities statutory responsibilities in this area are fulfilled.</p>
Provision for Deficits – Sponsored academy conversion	(500)	<p>Provision currently sits at £2m. The risk of exposure to school deficits can't be judged until all school Consistent Financial Reporting Returns have been received at the end of June.</p> <p>Experience in other authorities has identified that where schools deemed to be under performing are required to convert as a sponsored academy, academy sponsors are often either unwilling or unable to accept costs associated with some contracts and where staffing levels require reduction as a result of the change. Where these fall to the school the likelihood is that the school would have a deficit on conversion which would fall to be met by the local authority.</p> <p>This position will need to be reviewed following confirmation of school balances as discussions</p>

		with academy sponsors are undertaken but a further allocation to the reserve should be made.
Behaviour Support	(200)	Behaviour Partnerships will take responsibility for commissioned and personalised programmes for KS3 from September 2013. This funding is notionally earmarked to provide resource should it be necessary to provide some additional funding to ensure sufficient capacity to enable the effective transfer of this responsibility
Revised Unallocated DSG Balance 1st April 2013	1,885	To be held in contingency

10. In previous years it has been possible to use one off reserve funding to meet costs arising from pump priming projects such as for school improvement to prepare schools to develop capacity for school to school support and to raise achievement at Key Stage 3. Under school funding reform local authorities are prohibited from increased expenditure on certain budget items, as Leicestershire recorded no expenditure to combined budgets in 2012/13 it is now prohibited from using the DSG reserve in this manner.
11. As a one off resource it is not possible to add further delegation to schools as this would require maintaining this funding through delegated budget in future which would not be possible.
12. There remain a number of key risks within the 2013/14 budget;
 - The impact on SEN budgets arising from raising the participation age in September 2013.
 - The Wolf report and the move to a vocational curriculum offer.
 - The transfer of post 16 high needs responsibilities. The transfer to DSG funding takes no account of an increased, and increasing, number of students.
 - Any changes in high need funding, specifically element 3 payments, as a result of the return to a demand led funding system based upon costs.
 - Any increased volume of special educational needs placements.
 - The roll out of the nursery education offer to 2 year olds from September 2013.

Two risks have reduced from the budget setting report;

- Residual costs of hospital school provision have been reduced through the allocation of DSG reserves to this area, this will however require a long term solution to meeting the costs of alternative provision for pupils with medical needs.
- It was anticipated that costs would increase from non-maintained special schools and independent specialist providers, this has reduced through an increased DSG allocation for the high needs block to reflect the former grants received.

13. The budget setting exercises for the School Budget was completed in December and January in line with the Education funding Agency (EFA) timescales. In setting individual school budgets account was taken to schools proposed academy conversion rates in determining the value for non-domestic rates incorporated into individual budgets. Since this point a number of schools have delayed conversion which results in a rates allocation less than expected bills. Under school funding reform any adjustments are retrospective and will be made in 2014/15. An unsuccessful approach was made to the EFA to determine whether it will be possible to make any in year adjustments where schools are significantly affected by this, some of which may have to set deficit budgets in 2013/14 until retrospective funding is received in the 2014/15 school budget.
14. Given the risks within the budget it is proposed that the DSG reserve of £1.885m be retained until these risks can be quantified, 2013/14 school funding reform limits its use and it cannot be used for recurrent expenditure. This will allow a strategic approach to be taken which will also be able to consider any future changes in the school funding system for 2014/15

Resource Implications

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

Equal Opportunity Issues

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

Background Papers

2013/14 Schools Budget Report – Schools Forum 21 February 2013

Officers to Contact

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