



## SCHOOLS FORUM

### 2013/14 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 2013/14 Schools Budget outturn position for 2013/14 and confirms the Dedicated Schools Grant (DSG) Reserve.

#### Recommendation

2. That Schools Forum note the financial outturn for the 2013/14 Schools Budget (paragraphs 5 - 6).
3. That Schools Forum note the level of DSG reserve and it's recommended deployment (paragraphs 9 - 10).

**2013/14 Schools Budget Outturn**

4. The 2013/14 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 funding blocks.
5. Overall the Schools Budget underspent by £3.539m (Schools Block £0.188m, Early Years £0.505m, High Needs £2.846m) which is summarised in the following table;

	2013/14 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	988.5	84.4	9%	0.1	0.5	12.6	71.2
Children's Social Care and Targeted Early Help	45,851.1	307.9	1%	0.0	0.0	0.0	307.9
Education and Learning	34,210.0	(430.4)	(1%)	(20.0)	(27.9)	308.8	(691.3)
Commissioning and Development	51,569.7	(3,577.4)	(7%)	(163.9)	0.0	(3,041.0)	(372.5)
CYPS Other	(72,850.3)	(1,584.6)	n/a	(4.0)	(477.5)	(126.8)	(976.3)
<b>Total</b>	<b>59,769.0</b>	<b>(5,200.1)</b>	<b>(9%)</b>	<b>(188.0)</b>	<b>(504.9)</b>	<b>(2,846.4)</b>	<b>(1,661.0)</b>

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

Service Area	Variance		
	£,000	%	
<u>Early Years Block</u>			
Nursery Funding for Disadvantaged 2 year olds	(410)	(24.0)	The offer of free nursery education for 20% disadvantaged pupils was introduced in September 2013, demand was lower than estimated
Nursery Education Funding	399	2.3	More 3 and 4 year olds accessed nursery places than anticipated
Dedicated Schools Grant	(478)	n/a	As a result of additional children accessing 3 and 4 year old provision additional DSG became payable and offsets the overspend above

<b>High Needs Block</b>			
Education of vulnerable groups	(214)	(6)	A number of services across this group of services underspent as a result of staff vacancies
Alternative Provision	(151)	(82)	This budget was established to support alternative provision as part of the transitional arrangements to the new funding system and was not required
Behaviour Support	523	n/a	Funding was set aside within the 2013/14 DSG reserve to maintain the behaviour support service and the commissioned and personalised programme teams to August 2013. Additionally provision was made to maintain a transitional support team for the transfer of Key Stage 3 services to the Behaviour Partnerships. The final outturn position allows this to be met from the 2014/15 budget and funding remains in reserves.
Special Educational Needs	(3,041)	(6.6)	2013/14 saw the first year of the new arrangements for funding high needs students, a budget contingency was held as it was not possible to quantify the financial implications of the changes at the time the budget was set, this contingency was released during 2013/14. Additionally the Education Funding Agency (EFA) made a number of changes to the funding system during the year, this also adds to the underspend.

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. The full underspend of £3.539m is carried forward to the DSG reserve.

#### **Dedicated Schools Grant Reserve**

9. An updated position on the DSG reserve was incorporated into the 2014/15 Schools Budget report presented to Schools Forum on 13 February 2014. This position was based upon the financial forecast at period 9 and identified a balance (after 2013/14

allocations to services) of £0.143m, the following table presents the movement from that position;

	£,000	Narrative
Balance as at 21 February 2014	143	Projected balance per period 9 budget monitoring and after allocations to 2013/14 budget per report to Schools Forum 13/2/14 – 2014/15 Schools Budget
<b>Post February Movements;</b>		
Reserves Released;		
Behaviour Support	230	These reserves were made during 2013/14 to address unknown issues and calls on funding that were not included in the original 2013/14 budget proposals. These reserves were unused as expenditure was charged to the 2013/14 budget and offset against underspends
NQT	35	
Personalised & Commissioned Programmes	276	
SEN Carry Forward	96	
Nursery Education Funding	162	
Behaviour Support Transition	200	
Protection for High Needs Funding Changes	207	
Hospital Schools	473	
Recoupment Adjustment	439	
Oakfield Action Plan	134	
Decrease in Underspend Projection	(411)	The decrease in underspend is as a result of charging expenditure against the 2013/14 budget and not against reserves and additional reductions in expenditure
Key Stage 3 Transition	(197)	The transitional arrangements to support the devolution of Key Stage 3 provision to the Behaviour Partnerships remains in place to August 2014 and is required to be funded from the DSG reserve
Oakfield Action Plan	(72)	To fund the remaining actions in the agreed OfSTED Action Plan
Academy deficit	(89)	It has been necessary to settle a deficit arising from conversion to academy
Pre-Conversion NNDR revaluations	(250)	A large number of NNDR revaluations have been carried out on schools across Leicestershire by the Valuation Office Agency and have resulted in revised, usually larger, liabilities which are often back dated a number of years. For maintained schools additional funding is retrospective, however the EFA have stated that they will not make any payment to an academy for any such

		revaluation that relates to the school prior academy conversion and that these costs should be met by the local authority. As such it is prudent to make a provision to meet these unexpected costs.
<b>Revised Unallocated DSG Balance 31<sup>st</sup> March 2014</b>	<b>1,376</b>	To be held in contingency

10. The annual movement and allocation of the 2013/14 DSG reserve is shown in the following table;

	£,000
Balance as at April 1 2013	6,582
2013/14 Underspend	3,539
2013/14 Use of Reserves	(776)
Reserves Allocated to 2014/15 Budget	(1,250)
2014/15 Earmarked Elements of Reserve:	
Provision for sponsored academy deficits	(2,500)
Support for Future Age Range Changes	(2,700)
Provision for future pupil growth	(1,000)
Oakfield Action Plan	(72)
Key Stage 3 Transitional Support	(197)
2014/15 Pre Conversion NNDR Re-valuations)	(250)
<b>Unallocated Reserve</b>	<b>1,376</b>

11. There are a number of strategic issues that need to be considered in the allocation of the DSG reserve, this needs to include alignment of the additional Schools Block funding expected from the March announcement. It is worth noting that the reserve is being generated from High Needs and Early Years Blocks of funding but being largely used to support school issues. Those issues include;

a) Pupil Number Growth

Schools Forum has recognised the need to establish objective criteria for the allocation of additional funding for the demographic growth in primary pupil numbers and which will become a larger issue as new schools arising from new housing developments come on stream. Notionally £1m has been set aside within the DSG reserve, however this is not a sustainable long term solution given that growth in places will be over a number of years. Consideration needs to be given to the most appropriate manner in establishing an on-going growth fund which may include allocation of part of the additional funding within the March funding announcement. The growth fund needs to be aligned to the Place Planning Strategy currently being considered by the local authority and the need to match

funding and places over the medium term. This is a significant piece of work which will require funding to be set aside within the DSG reserve until completion.

b) Transfer of funding from the Schools Block to the High Needs Block

A contingency has been set aside within the High Needs Block in both 2013/14 and 2014/15 through a transfer from the Schools Block to the High Needs Block. In 2013/14 this contingency was not required and is the significant element within the 2013/14 underspend. As the changes in the funding system have not yet stabilised, the Education Funding Agency (EFA) continue to make 'adjustments', together with 2014/15 being the first full year of funding post 16 pupils with learning difficulties and disabilities it was prudent to retain such a contingency in 2014/15. One further change for 2014/15 is the increase in the participation age in September 2014 which will increase the number of high needs pupils funded and therefore increase the call on the budget, the impact of which cannot be fully assessed at this time.

Moving into the 2015/16 budget there is likely to be more robust data to assess the budget requirement with more certainty, however this will be reliant upon no further changes in the national funding system. It may be possible to release the contingency back to the Schools Block which may allow for growth funding and / or age range change funding protection to be considered without use of the expected additional funding. It should be noted however that the high needs contingency has created the capacity to fund school driven financial commitments, notably deficits transferred to the authority on sponsored academy conversion.

c) Funding increases for High Needs and Early Years Providers

The March announcement on additional funding related to the Schools Block element of DSG which funds primary and secondary schools. No just adjustment is made to the High Needs Block which funds special schools, units and other providers or to the Early Years Block which funds nursery providers. This issue has been raised within the consultation response by Leicestershire and a number of other authorities.

Capacity within the expected additional funding may allow funding to be retained for one off purposes and allow for sustainable funding increases to be delivered to these providers.

d) Continued Financial implications arising from Academy Conversion

Schools Forum are aware that deficits revert back to the local authority at the point when schools enter sponsored academy arrangements. A number of further financial issues are being identified for which the EFA provide no funding.

The first relates to NNDR. The Valuation Office Agency have instigated a number of NNDR revaluations for schools, the outcome of these is most usually a significant increase in NNDR liability and often backdated over 4 – 5 years. Maintained schools are fully funded for the increase through the funding formula albeit retrospectively. NNDR liabilities are required to be funded within the overall level of the Schools Block, additional funding here will need to be offset against other elements of the funding formula. The EFA funds academies on the same basis for any increase, however they will not fund any of the increase that relates to pre-conversion and that local authorities retain the financial liability.

Secondly academy sponsors have an expectation that issues such as outstanding property work, health and safety and staffing restructures are completed prior to conversion, these are costs that are not usually covered in school budget plans. Whilst the local authority issues Notices of Concern to these schools and closely monitors the schools financial position, it is often in a position where it needs to agree to fund issues such as these so as not be a barrier to academy conversion. These increase any school deficits and the call on the DSG reserve.

e) Restrictions on the use of the Schools Block

The current school funding system limits the level of centrally retained budgets within the Schools Block. For those funding historic commitments no increase is allowable and for items de-delegated they can only be held with the approval of the Schools Forum, any underspend is required to be delegated to schools in the following year. This affects the establishment of the growth fund, if set up too early in advance of pupil number growth and unused the funding the following year must be delegated and additional resource would again be needed. The use of the DSG reserve initially for this purpose is appropriate but not a sustainable solution for on-going growth.

f) High Needs funding for pupils without SEN

The establishment of the High Needs funding system established commonality in funding arrangements for a range of providers and will provide a platform for personal budgets arising from Education, Health and Care plans. There is inconsistency within the financial regulations that govern the use of DSG and the operational guidance which refer to the need to fund pupils with additional needs. Two areas have been identified where there may be a need to provide funding from the High Needs Block.

The first relates to educational needs of children in care which often are not funded unless a statement is issued: there may be clear educational benefits, and placement stability, from providing additional financial support. Secondly there is a growing bank of evidence that family support workers are providing successful early interventions with vulnerable families. this work is happening in schools, the strengthening families service, through children's centre programmes and through Supporting Leicestershire Families. There may be longer term benefits from aligning this work and supporting from the High Needs Block. These interventions are being successfully delivered in this way in other local authorities.

## Conclusions

12. The 2013/14 outturn position is one of underspend, largely through the contingency held in the High Needs Block being released. The underspend has allowed funding to be set aside for school funding issues i.e. academy deficits, to provide financial support for schools affected by age range changes and to respond to the need to fund demographic growth.
13. Leicestershire is now in a position where additional school funding will be received in 2015/16 and will need to reposition its financial strategy for addressing the issues identified in paragraphs 11 a - d above. This will involve consideration of the use of the DSG reserve as a one off resource but also to ensure that there is a sustainable solution for recurrent issues.



14. The school funding formula will be reconsidered for 2015/16 given the additional funding and is subject to a further report on today's agenda. This will need to be complete in order to gain Cabinet approval for the formula in October 2015 but also to ensure that the draft formula can be submitted to the EFA by October 31st. This work will allow for consideration of some of the issues identified within this report, however this will need to be included in the financial planning for the 2015/16 budget.

### **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**

Schools Forum 13 February 2014 - 2014/15 Schools Budget

### **Officers to Contact**

Jenny Lawrence, Finance Business Partner, CYPS

[jenny.lawrence@leics.gov.uk](mailto:jenny.lawrence@leics.gov.uk)

0116 305 6401