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SCHOOLS BUDGET MONITOR 2016-17 QUARTER 4

Report of the Operations Director, Education

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1. Purpose

- 1.1 To inform Schools Forum of the final outturn position for the Schools Budget for the 2016-17 financial year at 31 March 2017.

2. Background

- 2.1 Government funding for schools by way of the Dedicated Schools Grant (DSG) means that the variance in the Schools Budget is “ring fenced” and cannot be used elsewhere. Details of the variances in the revenue outturn against the Schools Budget are outlined in Section 3 below.
- 2.2 The Schools Budget for 2016-17 was as follows:

Description	Amount £m's
Schools Delegated Budget including sixth form grant	540.021
Schools Non-Delegated Budgets	7.882
Schools Central Budgets	53.924
Net Schools Budget including use of carry forward	601.827
Academies Recoupment	292.966
Gross Schools Budget including Academies Recoupment	894.793

3. Schools Budget Variances

- 3.1 The underspend within the schools budget for 2016-17 is £10.090m. The table below provides a more detailed breakdown of the underspend:

Description	Latest Approved Budget £m's	Over / (Under) Spend £m's
Schools Delegated	540.021	(6.969)
Schools Non-Delegated	7.882	(0.859)
Schools Central Budgets	53.924	(5.851)
Schools Grants & Other Funding including use of carry forward	(601.827)	3.589
Total	0	(10.090)

3.2 Schools **Delegated** – Underspend of £6.969m

(i) The main elements of the underspend are as follows:

(ii) Budget shares of newly converted academies: underspend of £4.701m.

This allocation is no longer required as the academies have been funded directly by the DfE. There is an offsetting loss reported under Schools Grants & Other Funding (see 3.5.1).

3.2.1 Early Years

The following early years' budgets underspent due to pupil numbers being lower than projected:

- Budget Shares for 3 and 4 year olds £703k underspend
- Early Years Pupil Premium £280k underspend
- Early Years full time places £ 58k underspend

3.2.2. Special Schools

There are several elements to the underspend on special schools:

- a) Top Ups: £572k underspend
The number of Hertfordshire pupils in special schools was slightly lower than projected, partly as a result of an increase in placements by other local authorities.
- b) Residential provision: £150k underspend
Overall there were fewer FTE placements in residential provision than budgeted.
- c) Contingency for special schools in financial difficulty: £209k underspend
A contingency budget of £400k was created in 2016-17 because of the large reductions in funded place numbers at certain special schools. Of the two schools principally affected, one has received an allocation in 2016-17 following an extensive review of its budget and structure. The Authority has started working with the other school.
- d) Private Finance Initiative Factor: £15k underspend

3.2.3 Education Support Centres and Roman Fields: underspend of £310k

The contingency for major premises issues and ESCs in financial difficulty was not required in 2016-17, while rates were lower than originally budgeted for.

3.2.4 Sixth Form Funding: overspend of £33k

There was a small increase in sixth form funding for maintained schools, which was offset by additional sixth form grant (see 3.5.2).

3.2.5 In addition there are other smaller variances within this heading which net to an underspend of £4k.

3.3 **Schools Non Delegated** – Underspend of £0.859m

3.3.1 The main underspends under this heading are as follows:

3.3.2 In year funding adjustments for rates, £1.591m underspend.

This underspend is partly due to the project which has been underway to convert the community schools with the highest rates bills to foundation status in order to deliver savings in national non domestic rates. The underspend shown includes backdated rates savings which have been achieved.

In addition further rates savings have been delivered by a programme of reviewing and challenging rateable values. This has been reflected in the funding adjustments which are made towards the end of the financial year, in order to match the rates funding allocated in maintained schools' budget shares to the actual rates payable during the year.

3.3.3 Growth Fund, £237k underspend.

£352k of the Growth Fund expenditure is offset by additional DSG, which is reported in section 3.5.2 below. This relates to the requirement to make allocations to academies for the summer term (as academies are funded on an academic year basis). Adjusting for this, there was an underspend on the Growth Fund, of £589k, due to:

- a lower number of bulge classes than originally anticipated,
- a delay in opening new free schools,
- an underspend on infant class size funding as some of these schools are expanded.

3.3.4 The underspends above are offset by the following overspends

3.3.5 Contingency, £847k overspend

This overspend relates to:

- support to schools in severe financial difficulty which are ineligible for the falling rolls fund
- deficit of a school on closure/ conversion to sponsored academy status

Further details of the background to the contingency overspend were reported in the budget monitor paper to the September 2016 Forum meeting.

3.3.6 Falling Rolls Fund, £234k overspend

An additional small secondary school reached Ofsted category "good" and thus became eligible for an allocation from the Fund during 2016-17.

3.3.7 There are also a number of other smaller variances under this heading which net to an underspend of £113k.

3.4 **Schools Central Budgets** – Underspend of £5.851m

- 3.4.1 The overall £5.851m underspend is made up of a number of variances, as follows:
- 3.4.2 Independent Placements: This budget has underspent by £1.618m due to a lower number of independent placements than originally anticipated.
- 3.4.3 Keeping Children in Local Provision (KCLP): The KCLP service is underspent by £41k. This is due to the new SEND strategy encompassing the KCPL principles so it is no longer required to have a separate funding stream.
- 3.4.4 SEN Strategy Development Fund:
There is an underspend of £3.311m on this budget. The SEN Strategy Development Fund was established in 2016-17 to support new initiatives, including key priorities within the SEND strategy. The resource set aside in the fund in 2016-17 has been allocated to specific high needs budgets in 2017-18. The time-lag resulting from the need to develop proposals for the most effective use of the funding has resulted in a large underspend in 2016-17.
- 3.4.5 Tuition Excluded Pupils: There is an overspend of £0.140m due to increased demand for additional tuition on the Tuition for Excluded Pupils budget.
- 3.4.6 SEN Bushey Meads: The number of funded placements has been higher than anticipated, leading to an overspend of £47k.
- 3.4.7 Speech and Language Therapy: This budget is underspent by £87k. Whilst the anticipated contract value is as expected, uncommitted funding is being held pending a review of the Speech and Language joint contract and delivery model.
- 3.4.8 Exceptional Needs Funding: This has underspent by £424k. The spending on these budgets is demand led and dependant on the number of cases approved at panel. There have been fewer cases approved than previously forecast.
- 3.4.9 2 Years olds: There is an underspend of £496k due to a lower than projected number of 2 year olds accessing funding.
- 3.4.10 Out of County top ups : There has been increased pressure on this budget, resulting in an overspend of £232k
- 3.4.11 Additional Welfare and Tuition: This budget provides funding for training and development of individual children with SEN. The number of children and cost of support provided is £63k lower than budgeted.

3.4.12 Education at hospitals:

There is an overspend of £244k relating to the cost of education of pupils placed by Health in private or other local authority hospitals.

- 3.4.13 The remaining balance of £473k underspend has arisen as a result of a number of smaller variances on DSG budgets.

3.5 **Schools Grants & Other Funding – Overspend of £3.589m**

- 3.5.1 The main element of this variance is the loss (overspend) of DSG and sixth form grant of £4.629m as a result of schools that converted to academy status in 2016-17. £4.701m of this allocation is no longer required as the academies are funded directly by the DfE. There is a corresponding underspend reported under Schools Delegated (see 3.2.2). This amount is off-set slightly by a net saving, mainly on rates, as a result of these conversions (£72k).
- 3.5.2 0.352m extra DSG has been paid by the DfE to cover Growth Fund allocations for academies for the April to August 2016 period (see 3.3.3). In addition £33k extra sixth form funding has been received to offset the increase in allocations reported under Schools Delegated (3.2.6).
- 3.5.3 Due to the delay in the announcement by the DfE of the retrospective early years DSG adjustment for 2015-16, this was accounted for in 2016-17 and comprised an extra £0.638m of grant. (The early years DSG adjustment in respect of 2016-17 has also been delayed and will be accounted for in 2017-18).
- 3.5.4 There are also other smaller variances, which net to an underspend of £17k.

4. **De - delegated budgets**

- 4.1 This year the DfE has introduced a new requirement that an overspend on de-delegated budgets for maintained schools can only be charged to the Schools Budget if the Schools Forum agrees. In 2016-17, the de-delegated budgets, which are included in the overall outturn figures above, were overspent in total. This is due to the overspend on the schools contingency. The table below gives details.

De-delegated budgets 2016-17		(£000)	
	Budget	Outturn	Over/ (under) spend
Hertfordshire Grid for Learning	104	104	0
Contingency			
- Schools facing financial difficulty and reorganising schools	208	1,053	845
- Primary schools causing concern	324	326	2
Trade Union Facilities Time	125	114	(11)
Determining Free School Meals Eligibility	50	50	0

Total	811	1,647	836
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4.2 The reasons for the overspend on the contingency budget were reported to the September 2016 Forum meeting. Forum at that time noted the very challenging financial circumstances that some schools are operating in.

4.3 The Forum is asked to agree that the net overspend on de-delegated budgets of £836k is funded from the Schools Budget, using the resource provided by the DSG carry forward.

5. DSG Carry forward

5.1 The impact of the outturn position (including the overspend on de-delegated budgets) on the amount of DSG carryforward is shown in the table below:

	£m's
DSG carryforward (c/f) at 31/03/2016	22.013
c/f used to support the 2016/17 Schools Budget	(10.814)
Underspend during 2016/17	10.090
DSG c/f at 31/03/2017	21.289

5.2 Other points to note when considering the DSG carry forward total are:

- a) £9.0m of the DSG carryforward at 31/03/2017 is being used to support the Schools Budget in 2017-18.
- b) It is estimated that the retrospective early years DSG adjustment for 2016-17 (now expected to be announced by the DfE in July) will result in a clawback of DSG of approximately £0.8m, to reflect a reduction in the number of children in provision.

5.3 The first quarterly monitor for 2017-18 will be reported to the September Forum meeting. It is currently anticipated that there will be a significant underspend in 2017-18.

6. Recommendations

6.1 The Forum is asked:

6.2

- to note and comment on the final outturn position;
- to agree to fund the 2016-17 overspend on de-delegated budgets of £836k from the Schools Budget (using the resource provided by the DSG carry forward).