

Financial Update and Budget Monitoring report

1. Purpose of the Report

This report looks at the budget monitoring position of the Dedicated Schools Grant, it considers the financial position of the mutual funds held by the Forum, whether the contingency for 2015/16 should be de-delegated and to consider a bid made on the contingency for falling rolls.

2. Recommendation

The Forum agree

- i) To not ask for a contribution from schools to the contingency mutual fund for 2015/16.
- ii) To set the future contingency provisionally at £650k
- iii) The Forum agree to the revised terms of the falling rolls contingency
- iv) The Forum agrees the contingency bid referred to in section 7

3 High Needs SEN

The High Needs SEN budget consists of the funding that is given to Special, Primary and Secondary schools for matrix children and resource bases, to FE providers and to independent schools. The latest indications are that the costs have risen over the last term by £300k. This relates to an increase in the number of matrix children, special schools placements and the independent sector placements. The details are provided in the table below

Type of placement	Numbers
Matrix and Resource Bases	680
Special Schools	547
Independent schools	413
Total	1640

The Department for Education on the 18 December notified us of an additional allocation to the high needs block of £0.7m for 2014/15. This relates to a adjustment that was not taken into account when the part recoupable academies were brought into the funding system. It is

proposed that the funding remains within the high needs block to help offset the budget pressure.

4. School Budget Monitoring

At the last meeting details of the schools' budget monitoring returns were provided. At the time there were 7 schools with returns outstanding. This has been reduced to three and the remaining schools were written to by the Head of Resources, CYP.

There remains two schools with deficit licence applications, Deptford Green and All Saints which are being reviewed.

5. Mutual Funds

The Schools Forum has a number of mutual funds it manages on behalf of schools. At the end of the year any balances are returned to schools or rolled forward to the next year. The current position of the funds is described below:

Fund	Budget	Spent or committed to date	Balance
	£000	£000	£000
Growth Fund	1,739	1,865	(126)
Contingency	1,253	280	973
Maternity Fund	831	694	137

5.1 Growth Fund

All Growth Fund allocations have now been actioned. The expenditure of £1.87m is £126k in excess of the budget as a result of the creation of more new places than was anticipated.

The 2014/15 Growth Fund budget is £1,739k and is made up as follows

- £672k bulge classes (equivalent of 12 bulge classes),
- £762k expanding schools (some new, some continuing. Covers 13 schools) and
- £306k continuing funding for resources (funding is paid each year as new places move through the school).

5.2. Contingency

5.2.1 No further bids have been made since the last meeting of the Forum.

5.2.2 Creation of a contingency for secondary schools with falling rolls

A bid from this contingency has been received. It will be tabled at the meeting (as it contains confidential information) for discussion and a decision on whether it should be approved. The details are discussed in section 7 of this report

5.3 Non-Sickness Supply Fund

At the end of last year the non-sickness supply budget was under spent by £89k.

The Autumn Term claims have now been actioned. The Summer and Autumn Term claims breakdown as shown in the table below:

Phase	Claim Type	Number	Amount	Average
			£	£
Primary	Jury	4	1,981	495
	Maternity	36	249,243	6,923
	Paternity	5	6,371	1,274
	Suspension	4	18,629	4,657
		49	276,225	5,637
Secondary*	Jury Service	3	2,706	902
	Maternity	16	132,025	8,252
	Paternity	1	1,640	1,640
		20	136,371	6,819
Special	Maternity	3	13,037	4,346
	Suspension	2	10,008	5,004
		5	23,045	4,609
		74	435,639	5,887

* includes all-through schools

The pattern of expenditure on maternity in previous years has not been followed to date in the current year. It looks as if the fund will

underspend at the year end. If this is the case the funding will be returned to schools. The amount will be confirmed once the accounts are closed and actioned in 2015/16.

6 Contingency

6.1 In the discussions at the last meeting when considering the Collaboratives Funding it was highlighted that Lewisham has the highest contingency per pupil in the country. This is partly due to the former standards funds given to schools being held in the contingency before it is passed to the collaboratives banker schools. If this is excluded, Lewisham's contingency per pupil is £38 or £1,300k, this compares with the national average of £5 per pupil. If we were to lower our contingency to this level it would stand at £200k. This would be below the spend on the contingency in two of the last three years.

6.2 At the meeting consideration was given to not de-delegating the contingency for 2015/16. Further thought was given to whether the balance from last year should be distributed.

6.3 It was requested that information be provided on benchmarking and past allocations from the contingency. These are shown in Appendix A and B respectively

6.4 There are five options that could be pursued in relation to the contingency. The advantages and disadvantages are described below

6.4.1 Option 1 - No payment is requested from schools for 2015/16

This would prevent the size of the fund growing to a level above need.

This would leaves balances above the benchmark spend.

6.4.2 Option 2 - To redistribute the current balance on the contingency

This would prevent the size of the fund growing to a level above likely need

The amount given to schools would be at the same level as in Option 1

More administration costs as a payment would have to be raised to each school and processed by the school.

It would increase end of year balances in schools.

There would need to be a de-delegation amount in 2015/16.

6.4.3 Option 3 - To reduce the size of the contingency.

This would be achieved by lowering the amount of the de-delegation from schools. Looking at the data on benchmarking and past allocations (See Appendix A and B), this needs to be done. An element of judgement is needed but it would seem sensible to reduce the level of the average in Inner London. The average amounts per pupil in other Inner London authorities is £18 per pupil.

If we used the £18 per pupil benchmark this would amount to £650k for Lewisham

Currently the contingency here in Lewisham stands at

	Total	Per Pupil
	£'000	£
Current total	2788	78
Less collaborative funds now given to schools	1489	42
Revised Total	1299	36
Reduction needed to the average level of inner London Authorities	664	18
Revised Level	635	18

6.4.4 Option 4 - To leave the position as it is and to continue to de-delegate the funds from schools

This would seem unnecessary as there is already sufficient funds in the mutual fund. If option 2 is taken to pay the existing funds back to schools, then this option would be necessary.

6.4.5 Options 5 – Not to have a contingency

Under this option each school would individually bear the financial risk of unexpected events.

As we saw with some of the retrospective charges for NNDR costs for a school this could be significant. Schools managing them on their own would have to make major changes to the way the curriculum is delivered

6.5 It is recommended that option 1 is adopted as it has no detrimental impact,, minimises bureaucracy and doesn't inflate schools year end balances. It is proposed that the contingency de-delegation is reduced and this be brought in line with the inner London Authorities from 2016/17; this being set at £18 per

pupil or £650k. The level to be reviewed when next years budget is being determined along with all other budgets.

7 Bid to the falling rolls contingency

7.1 At the Forum meeting on the 25th September it was agreed to set aside part of the contingency to support secondary schools with falling rolls. This funding provides support to avoid the situation where a school may need to reduce the teaching complement to balance their budget, incurring redundancy costs, only to need to employ extra teachers in a few years time.

7.2 Support is available where

- i. Schools were judged Good or Outstanding at their last Ofsted inspection (national requirement for such schemes).
- ii. Local planning data shows a drop in pupils of more than 60 and then a future rise within the next 3 years to a level above that at the time of the application for funds.
- iii. Funding will be provided for the cost of a teacher on a per pupil basis
- iv. The school would need to make redundancies in order to contain spending within its formula budget
- v. There will be an annual review
- vi. An application for funding is made to the Schools Forum.

7.3 The bid received will be tabled at that meeting and redacted for confidential purposes of naming the school concerned.

7.4 The original intention of the fund was for a school to apply for support before the roll has fallen but it is then expected that the roll will rise above that level.

7.5 The school concerned is in a position where it is managing the financial consequences of a fallen roll rather than anticipating one. The overall pupil numbers in Lewisham are likely to be at their lowest point currently and therefore it is unlikely that any school would trigger the terms of the provision and it is recommended the conditions of the contingency are changed to reflect this. Revised terms are shown in Appendix C.

- 7.6 The impact on this Schools' budget in 2015/16 is a need to reduce staffing to balance the budget by around £120k. This would likely require 2 staffing redundancies or cost reductions.
- 7.7 The benchmarking data indicates that the schools staffing costs per pupil are already below the average for Lewisham and is not therefore a generous staffing cost per pupil. Similarly other costs benchmark below average.
- 7.8 The request for support will
- Alleviate the spending reduction required in 2015/16
 - Avoid the cost of potential redundancies
 - Enable the school to retain skilled and valued teachers
- 7.9 The schools roll is anticipated to grow by 48 pupils from September 2015 to September 2017. On the basis of 30 pupils per class ratio it is proposed the school is likely to need support of 1.5 teachers at an average cost is £66k. The funding support needed would be £99k.
- 7.10 The schools bid is for £200k. This reflects that there are 143 vacant places in the school. The carry forward from last year totalled £337k and it was planned to use £143k of this balance this year. Other events have meant all the carry forward will be used this year, leaving an on-going deficit which for 2015/16 is currently £197k.
- 7.11 If the bid was accepted in full, this would use the total of the fund and would have a detrimental impact on other schools. It is recommended the sum of £99k is approved.
- 7.12 Any support will of course be reviewed for pupil number movements in March 2016 to ensure the projected numbers are in line with the actual numbers, and further need for support be considered.

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