

Schools Forum			
REPORT TITLE	Budget Monitoring Report		
KEY DECISION	Yes	Item No.	8
CLASS	Part 1	Date	10 December 2016

1. Purpose of the Report

This report looks at the budget monitoring position of the Dedicated Schools Grant and considers the financial position of the mutual funds held by the Forum. It then looks at the proposals on how the forecast overspend can be met.

2 Recommendation

The Forum agree

- i. To note the balances of schools as at 31 March 2015 of £13.9m;
- ii. To note the overspend of £2.9m due to the position on high needs block spending;
- iii. To note the provision of £2.2m available to offset, in part, the anticipated overspend;
- iv. To note the use of the unspent £169k attendance and welfare services allocation toward the unfunded overspend;
- v. to agree that the balance of the over spend remaining unfunded be met from the unspent schools contingency for 2015/16.
- vi. To suspend the Balance Control Mechanism with a review on continuation in a year's time

3. Executive Summary

The financial forecast is showing an overspend of £2.9m in this current year. This is due to the increasing in numbers and cost pressures on the High Needs Block. It is proposed to offset this by making the following savings if the Forum agree.

		£m	Report Ref
1	Forecast Overspend	2.9	4.6.5
2	Carry Forward from 2014/15	-2.2	
	Saving proposed by the High Needs	-0.2	4.6.4

	Group ceasing the funding devolved funding to secondary schools on attendance and welfare – effective April 2015.		
3	To charge the contingency mutual fund with the balance. This would reduce the balance of the contingency to £0.5m	-0.5	4.6.5 & 5.2
TOTAL		0	

4 Dedicated Schools Grant

4.1 The current level of the DSG is at the same level as the last meeting:

	Before Academy Recoupment £M	After Academy Recoupment £M
Schools block	214.607	188.14
Early years block	21.196	21.196
High needs block	43.588	42.624
Total additions for non block funding	0.052	0.052
Total DSG allocation	279.443	252.012

The above table excludes the Pupil Premium (£18m), Post 16 funding (£7m), Universal Free School Meals Grant (£2m).

4.2 School Budget Monitoring

The date for schools to submit their budget monitoring return to the Local Authority was the 31 October. To date we have now received the following returns

	Received	Under Query	Outstanding
Primary	55	3	9
Secondary	6	2	5
Special	4	2	1
Nursery School	2	1	0
PRU	1	1	0

Where schools have not made a return the following process is adopted: If a school has not made a return the Finance Team sends the school bursar an e-mail and this is later followed up with an e-mail to the Headteacher. General reminders are included in the schools newsletter before and after the deadline.

Within the process, if no return is received a letter will be sent from the Head of Resources and Performance, Children and Young People to both the Headteacher and Chair of Governors with a copy to the Executive Director for Children and Young People.

There remain two secondary schools with deficit budgets, Sedgehill and Deptford Green and there is one primary school, All Saints. The latter had a deficit carry forward and is expected to remain in deficit next year.

An Appendix will be tabled to show the financial indicators held for each school in Lewisham. The table includes the projected end of year balances over the three year period from 2015/16. These indicators feed into the School Review Board.

4.3 Budget Monitoring Template

The template discussed at the Schools Forum is now being used. It has highlighted a number of issues that have been queried with schools and a number of schools have been visited where it is felt appropriate. Informal feedback on the template has been largely positive, with schools reporting that it improved the quality of their budget monitoring. It has also allowed a greater level of scrutiny.

4.4 Balance Control Mechanism (BCM)

4.4.1 The funding regulations no longer require that a Balance Control Mechanism (BCM) must exist and the decision on whether a balance control mechanism operates for Lewisham rests with the Forum. The Forum confirmed their desire to have a BCM on the 17 February 2011. The BCM requirements have been discussed annually and the School Forum has confirmed its desire to continue the BCM as part of reinforcing good financial management.

4.4.2 The balances at the end of 2014/15 in schools were £13.9m. The balance at the end of the previous year was £15.9m (31 March 2014) a fall of £2m. This is the first time since 2011 that there has been a fall in school balances. The amount of funds that are deemed as excess balances (above 8% of a school's budget in Primary and Special schools, 5% in Secondary) by schools has fallen from £4.7m to £3.6m.

The Breakdown between the sectors is as follows:

	Budget 2014/15	Carry Forward at the end of 2014/15	%	Excess Balance 2014/15*
	£	£		£
Primary	140,839	10,177	7	2,013
All Through	17,562	940	5	153
Secondary	61,053	-109	0	0
Special	17,012	2,645	16	1,472
Nursery	1,681	26	2	0
Pupil Referral Unit	3,339	177	5	0
	241,486	13,856	2	3,638

*Excess balances are 8% of a schools budget in Primary and Special schools, 5% in Secondary

- 4.4.3** For some years the Forum has operated a Balance Control Mechanism (BCM) which allows for the removal of excess balances from schools where there is no plan for these amounts that has been validated by the authority.
- 4.4.4** While considering the excess balances applications, the Forum agreed that the balances were being held by schools for justifiable reasons but wanted to ensure that they were spent this year and asked for schools with excess balances to provide an update on the progress of utilising the balances in October. They are yet to be analysed but are available for inspection.
- 4.4.5** With school budgets starting to come under real pressure and schools facing general a reduction in funding of between 1 and 3% together with costs pressures of 2.8% (See Financial Update and Budget Monitoring report – 17 March 2015) it would seem inappropriate to make matters worse by capping schools budgets. This scenario of reduced resources is likely to continue for a number of years so it maybe worth considering the suspension of the Balance Control Mechanism and to review the position in a years time.

4.5 Financial Position

- 4.5.1** At the end of last year the overspend position was higher than expected. This was caused by more SEN placements being made to providers outside of Lewisham than provided for in the budget. Some of the increase reflects wider age responsibilities for EHCP's. These placements were not in the independent sector but in FE colleges, other Local Authorities maintained schools and academies.

4.5.2 The current year forecasts show an overspend of £2.9m. The details are shown below:

Expenditure Type	£'000
Resource Base	1,380
SEN Matrix	2,717
Special School Top Up	9,177
Special School Place led funding	6,000
New Woodlands	1,100
Abbey Manor College	3,700
Non Lewisham Placements	12,113
Collaboratives	2,000
Health and Social care reimb.	-400
Recoupment	150
Expenditure Total	37,937
Budget Available	35,050
Overspend	2,887

4.5.3 The fund set aside from previous year's carry forwards is £2.5m. Some of this related to capital provision for 2 year olds with a balance of £2.2 available to cover the High Needs overspend. It now seems without further action the DSG could end the year in deficit and action is necessary to ensure this does not happen.

4.5.4 In order to bring the budget back into balance it is proposed to stop the devolved funding to secondary schools for attendance and welfare from April 2015 (See High Needs Sub group report on this agenda). This would leave a balance of £0.5m to be found.

4.5.5 This remaining balance could be charged to the schools contingency but would need Forum approval. An alternative would be to reduce the schools budgets in 2016/17. The Forum is asked in principle whether it would agree to the shortfall being offset against the schools contingency. It is forecast to have a surplus of £1m, see section 4.2. If this was the case the exact figure would be confirmed at the year end.

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	1,792	1,572	220
Contingency	1,510	512	998
Maternity Fund	800	226	574

5.1 Growth Fund

Growth Fund allocations for the year have been made in the following categories-

£961k	Permanent Expansions
£353k	Bulge Classes
£258k	Ongoing Resources

5.2 Contingency

No Contingency de-delegation charge has been actioned in 2015/16 as Forum agreed that the brought forward balance would be sufficient for this year.

To date there have been four calls on the Contingency Fund

- £178k to cover the Growth Fund shortfall in 2014/15
- £99k falling rolls allocation for Sydenham (to maintain staffing levels during a temporary dip in pupil numbers)
- £115k backdated NNDR charge for the Rushey Green Primary rebuild.
- £120k EAL student placements at Lewisham College

5.3 Non-Sickness Supply Fund

The de-delegation charge for non-sickness supply cover for 2015/16 is £800k. To date only summer term claims have been paid. These totalled £226k.

Forecasting future claims is difficult, and the 2014/15 financial year bucked the previous trend, such as it was. However, an underspend of £115k is tentatively forecast.

The summer term claims breakdown is as shown in the table below:

Phase	Claim Type	Number	Amount	Average
			£	£
Nursery	Maternity	1	5,644	5,644
Primary	Jury Service	3	5,777	1,926
	Maternity	19	101,527	5,344
	Paternity	3	3,911	1,304
	TOFTUA	1	9,975	9,975
		26	121,190	4,661
Secondary*	Adoption Leave	1	2,792	2,792
	Maternity	11	70,600	6,418
	Paternity	2	3,280	1,640
	Suspension	2	5,683	2,841
		16	82,355	5,147
Special	Maternity	2	13,569	6,784
	Suspension	1	3,662	3,662
		3	17,231	5,744
		46	226,419	4,922

- includes all-through schools

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