

Schools Forum			
REPORT TITLE	Financial Update and Budget Monitoring Report		
KEY DECISION	Yes	Item No.	11
CLASS	Part 1	Date	6 October 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.

2 Recommendation

The Forum agree

- i. To note the report
- ii. To note the position on the budget plan escalation process detailed in section 3.4
- iii. Note the position on discretionary relief on business rate relief
- iv. The change in the use of the partnership funding (red and amber fund) to be given to the collaborative on the following basis
 - a) Support for red / amber primary schools of £23,450 to be allocated by the Primary schools through the Leadership Forum
 - b) Support for red / amber secondary of £50,000 to be allocated by the secondary schools through the Secondary Challenge Collaborative

3 Dedicated Schools Grant

- 3.1 The DSG for 2016/17 now stands at £284.7m, it has increased by £1.2m as a result of an adjustment to replace the estimate of January 2016 early year numbers with actual numbers. The DSG is now £48m (or 20%) larger than the Council's Net General Fund budget.

Further grants are given to schools and routed through the Local Authority. This includes the Pupil Premium (£17m), Post 16 funding (£6m), and Universal Free School Meals Grant (£3m). Making total

funds of £309m. In total this is £73m higher than the Council's Net General Fund.

3.2 Schools

The deadline for schools to submit budget returns to the Local Authority is 31 May. The last of the budget returns were received at the end of July. The overall escalation process on non-submission of budget plan is detailed below with the number of schools triggering the steps

Step 1	1 week after deadline	Email from the School Finance Team to school bursar	26
Step 2	3 weeks after deadline	Email from the School Finance Team to Headteacher	17
Step 3	5 weeks after deadline	Letter will be sent from the Head of Education, Standards and Inclusion	17
Step 4	7 Weeks after the deadline	Letter will be sent from the Executive Director of CYP to the Headteacher and Chair of Governors and Head Teacher	4
Step 5	9 Weeks after the deadline	If necessary the Chair of Governors and Headteacher will be called in to meet the Executive Director of CYP	0

- 3.3 At the end of the 2015/16 financial year there were 11 schools that had deficits. This compares with the three schools that had a license deficit agreement in place for the year end.

There are 9 schools who will be in deficit this year

The nine schools are

- All Saints' Church of England Primary School
- Prendergast Ladywell School
- Sedgemoor School
- Sydenham School
- Bonus Pastor Roman Catholic School
- Deptford Green School
- Forest Hill School
- Trinity
- Addey and Stanhope

The causes of the deficit vary between schools but mostly relate to falls in pupil numbers, cost pressures and financial management controls.

The deficit position in other London Borough's will be tabled at the meeting.

- 3.4 The following escalation process exists for schools with deficit budgets.

		No of schools
Step 1	Review by the Schools Finance Team.	9
Step 2	Joint School visit by the Schools Finance Team / School Improvement.	7
Step 3	If the deficit < £500k, Chair & Headteacher may be called in to meet the Executive Director of CYP.	0
Step 4	If the deficit > £500k, Chair & Headteacher called in to meet the Executive Director of CYP.	2
Step 5	If necessary a warning notice given with an action plan.	0
Step 6	If not complied with a withdrawal of delegation or IEB set up .	0

- 3.5 Looking further ahead the returns show another 6 schools going into deficit in 2017/18. While there are 45 schools who are using their carry forward to balance their budget this year.

These schools have been written to to confirm the position and have been asked to draw up recovery plans as per Step 1 in the escalation process. It is expected that Step 2 will then be instigated.

- 3.6 Currently officers have performed reasonableness checks on the information provided by schools. Such checks include
- Does the budget plan income agree to funding notification?
 - Is the carry forward quoted in the budget plan incorrect?
 - Do the budgets set align to previous year's income and expenditure?
- 3.7 A presentation on school finances was made to the Chair of Governors of the 12 September 2016 highlighting the financial issues. The presentation is attached in Appendix A
- 3.8 The government is proposing to introduce a new national funding formula for schools in April 2018. With the current details available through the release of the first stage consultation earlier in the spring, it is not possible to see the exact impact on Lewisham. The most likely scenario is that schools in Lewisham will see a circa 10%, or £17m reduction in funding over the next three years. This is likely to impact on the level of traded services schools buy from the council. Likewise there is a review of the high needs block funding and it is expected the funding in the high needs block could also be reduced by some 10%, or £4.5m.
- 3.9 The government has released a consultation document on Early Years funding, while there is extra funding overall due to the funding of the new 30 hours child care for working families the underlying position is a loss for Lewisham. It is estimated that this loss will be £1.5m but in the next two years there will be some protection and the loss will initially be £0.9m. The consultation closed on 22 September a separate paper will look at the details of this and the consultation response made by Lewisham.

DSG central expenditure

- 3.10 The High Needs block is showing signs of pressure and an overspend of £0.7m is forecast at the year end. This is the result of demand. There has been a significant growth in the number of children with Education, Health and Care Plans for pupil aged 5 and below, growth in the number of post 19 children with high needs, lack of commissioned places by other boroughs in post 16 provision outside the borough and an increase in pupil numbers in special schools and resource bases.

The Schools Forum High Needs sub group met on the 22 September 2016 and are continuing the work on designing and implementing new top-up funding bands for high needs pupils. Their objective is that any new system is cost neutral and that any implementation will take place in April 2017.

4 Business Rates

- 4.1 Under Section 47 of the Local Government Finance Act 1988 (LGFA) billing authorities have discretion to grant rate relief to certain ratepayers (certain types of charitable and non-profit organisations) from all or part of the non-domestic rates payable.
- 4.2 The Localism Act 2011 amends section 47 of the Local Government Finance Act 1988 to replace the limited circumstances in which local authorities can currently give discretionary relief with a power to grant relief in any circumstances.
- 4.3 The cost of granting discretionary rate relief varies according to the circumstances. For schools discretionary relief is funded 50% by the Local Authority and 50% by central government
- 4.4 For schools, the current policy is to provide discretionary rate relief to voluntary aided organisations in receipt of mandatory rate relief. The cost for this relief is funded from the Dedicated Schools Grant. Academies, private and independent schools with appropriate charitable status receive mandatory relief do not attract discretionary rate relief. It is expected that central government will want all schools brought into line.
- 4.5 Under the current funding formula a school receives the exact same funding as their charge. Currently for voluntary aided schools within Lewisham the relief is given and the proportion of the relief met by the Council is charged to the DSG. This is achieved by adding onto the rates bill of all schools but is matched by the funding so the net impact on schools is nil, but it does mean that the DSG is meeting the cost.
- 4.6 It is unlikely this could happen under a national funding formula and the discretionary relief would be met by the Council alongside any academies being required to be treated in the same way. The Mayor is considering withdrawing the relief. Schools will not see any impact as under the national funding formula they will still receive the exact amount of the rates bill.

5 Partnership Funding (Red and Amber Schools)

- 5.1 At the meeting on 10 December 2015 School Forum agreed that 'The partnership funding should be renamed to the "Red and Amber" school fund and be reduced from £115k to £100k.
- 5.2 Since April 2016 this fund has been used by the LA School Improvement Team to provide bespoke and additional support to red and amber schools as follows:
 - Maths support £2,700 in red/ amber secondary schools
 - Science support £5,850 in red/ amber secondary schools

- SIO support work £18,000 across primary and secondary schools of red / amber schools.

This totals £26,550 and there remains £73,450 still to be allocated.

- 5.3 Following the Education Commission Report in June 2016 Lewisham schools and the LA are now working closely together to establish both a Secondary Challenge Collaborative and a wider School Improvement Partnership as we move towards a schools led system.

In a school led environment it makes sense for schools themselves (through the partnerships/collaboratives) to decide how best to allocate and spend the resource available to support red and amber schools.

- 5.4 At the time of writing there are 5 amber and 3 red secondary schools (approx. 8,000 pupils) and 8 amber primary schools (approx. 4,000 pupils).

- 5.5 It is proposed that the remaining funds of £73,450 are allocated to the school collaboratives themselves to decide how best to spend the money on the following basis

- Support for red/ amber primary schools (8 amber/ 0 red): £23,450 – to be allocated by the Primary schools through the Leadership Forum
- Support for red/ amber secondary schools (5 amber/ 3 red) = £50,000 – to be allocated by the secondary schools through the Secondary Challenge Collaborative

- 5.6 It is expected that each of the collaboratives should provide a report to School Forum outlining the spend and impact of funding in Autumn 2017. The allocation is broadly in line with pupil numbers within the red / amber schools

6. 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:

	Growth Fund	Contingency	Non-Sickness Supply
	£	£	£
Brought Forward	-247,083	-726,549	158,993
Distributed To Schools	0	0	0

Offset	0	0	0
	-247,083	-726,549	158,993

De-Delegation Income	0	-649,998	-799,993
Budget	-1,092,000	0	0
Spend To Date	984,786	0	446,953
Projected Spend	74,634	1,310,355	1,068,000
	-32,580	660,357	714,960

Cumulative Total	-279,663	-66,192	873,953
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6.1 Growth Fund

The budget for the year is £1,092k, but with the £247k brought forward surplus, the amount of funds available rises to £1,339k.

Allocations have been journalled to maintained schools and payments are in process for academies. The October census will be examined to verify the allocations/payments and identify any necessary adjustments.

At present a surplus of £280k is forecast, but these funds may be called upon to cover projected overspends elsewhere in the mutual funds.

6.2 Contingency

The de-delegation charges for the year have provided £650k, but with the £727k brought forward surplus, the amount of funds available rises to £1,377k.

No charges have been actioned against the Contingency yet in 2016/17, but as discussed at the June 2016 Forum these funds will be called upon should a school with a deficit become an academy.

At present a surplus of £66k is forecast, but these funds may be called upon to cover projected overspends elsewhere in the mutual funds.

6.3 Non-Sickness Supply Fund

The de-delegation charges for the year have provided £800k, but with the £159k brought forward deficit, the amount of funds available falls to £641.

To date only summer term claims have been paid. These totalled £447k.

Forecasting future claims is difficult and previous years show little consistency, but as the summer term claims for this year are approximately twice that of the same period last year, a large estimate has been added for the remainder of the year.

This leads to the forecast of a deficit of £874k, but there is a large margin of error in projecting for this expenditure which the autumn term figures will help to reduce.

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

Phase	Claim Type	Number	Amount £	Average £
Nursery	Suspension	1	800	800
Primary	Adoption	1	7,368	7,368
	Jury Service	5	3,236	647
	Maternity	46	275,495	5,989
	Paternity	3	4,920	1,640
	Suspension	8	19,360	2,420
		63	310,380	4,926
Secondary*	Adoption	0	0	0
	Jury Service	5	5,495	1,099
	Maternity	14	109,412	7,815
	Paternity	2	3,280	1,640
	Suspension	0	0	0
		21	118,187	5,628
Special	Maternity	1	13,545	13,545
	Suspension	1	4,041	4,041
		2	17,586	8,793
		87	446,953	5,137

* includes all-through schools

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