

<b>Schools Forum</b>			
<b>REPORT TITLE</b>	<b>Financial Update and Budget Monitoring Report</b>		
<b>KEY DECISION</b>	<b>Yes</b>	<b>Item No.</b>	<b>8</b>
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>16 March 2017</b>

**1. Purpose of the Report**

This report updates members on the latest key financial developments effecting schools

**2 Recommendation**

The Forum agree

- a. To endorse the funding tasks groups response to the fair funding consultation as shown in Appendix A
- b. To note the lobbying undertaken by CASE and London Councils
- c. To note the position on the budget monitoring
- d. To agree the allocation of funding to special schools that
  - i. Adds back the £0.5m reduction
  - ii. Provides transitional protection to the schools that are losing funding
- e. To agree to the allocation of £40k to support an additional resource for the Fair Access, Elective Home Education and Alternative Provision Service
- f. To note the position on
  - The overspend now forecast on the High Needs Block of £0.25m
  - Schools Financial Value Standard
  - Oracle Enterprise Resource Planning (ERP)
  - Early Closing of the Accounts
- g. To agree that the surplus on the catering trading account be distributed to schools on the same basis as the charges.

### 3. National Funding Formula

- 3.1 The task group met on 7 March and has drawn up a consultation response which is shown in Appendix A to this report. The Forum are asked to endorse this. The main point that the task group wish to make is that they feel no school should lose out through the funding changes.
- 3.2 The Mayor wrote to all schools on the 1 March.
- 3.3 Lobbying

#### 3.3.1 CASE

Members of CASE (Campaign for State Education) attended the last schools forum as observers and have been holding days of action across Lewisham against the funding cuts. This has been mainly through promoting awareness of the national Fair Funding for All Schools Campaign by leafleting from information stalls in both Catford and Lewisham Town Centre.

#### 3.3.2 London Councils

London Council have garnered media coverage in BBC London, the Guardian and the Evening Standard.. They have issued a joint release with Core Cities which was covered in the Evening Standard and in major regional titles including the Yorkshire Post, Northern Echo, and East Anglian Times. They continue to work with Core Cities to mitigate against the 'them and us' narrative about London and the rest of the country. The Evening Standard also created an interactive map of impact by borough which can be found here:

<http://www.standard.co.uk/news/education/london-schools-will-lose-up-to-500-per-pupil-as-funding-is-rebalanced-a3467331.html>.

They have been working with the London APPG and organised a briefing for MPs on 7<sup>th</sup> February which was addressed by a Headteacher, the London Chair of the Federation of Small Business and Cllr David Simmons on behalf of London Councils. We have sent a number of briefings to London MPs on the issue and will continue to do so. The London All-Party Parliamentary Groups (APPG) has issued a press release and will be organising more activity on school funding both before and after the close of the consultation on 22 March.

London Councils are encouraging borough Leaders to write to every head teacher in their borough. This is to ensure that head teachers are

aware the borough recognises the pressure they are facing and how the borough is working to address these concerns, either through the boroughs own lobbying efforts, or with local MPs or businesses etc., or through London Councils.

London Councils have also been approached to brief a number of parents groups. They will do this with a view to ensuring that parents groups are fully and accurately informed of the potential impacts of the new National Funding Formula and how to respond to the consultation. London Councils are happy for boroughs to recommend parents groups that the boroughs think should be briefed.

The Mayor of London has issued a supportive press release .

London Councils publications and statements are available here:

<http://www.londoncouncils.gov.uk/schoolsfunding>

#### **4. School Budget Monitoring Returns**

4.1 The December budget monitoring returns were due by the end of January. The latest indications are that the schools carry forward at the end of the year will be £6.1m

4.2 This £6.1m compares with a forecast of £7.2m at December 2015. Indications from the returns in previous years would suggest there is an element of under forecasting of the year end balances. The final 2015/16 figure was £12.1m.

4.3 To date we have now received the following returns

	Received	Outstanding
Primary	59	4
Secondary	8	3
Special	3	2
Nursery School	2	0
PRU	1	0

4.4 The timetable for reminders to schools is as follows

Email from School Finance Team to school bursar	1 week after deadline
Email from School Finance Team to Headteacher	3 weeks after deadline
Letter will be sent from the Head of School Improvement	5 weeks after deadline

Note – there are two monitoring returns required each year, one at the end of September and the other at the end of December. A school is allowed one month to submit its return.

4.5 The are 6 schools who are operating an in-year deficit of greater than £100k in the current year (2016/17) who have carry forwards forecast to be less than these levels. The schools will be written to initially to clarify their plans. If this is not satisfactory they will be visited.

4.6 Loans to schools

Nine schools with deficits have been draft loan agreement to agree before the year end

## 5. **Schools Financial Value Standards (SFVS)**

At the time of writing this report there were 28 who have not returned their SFVS. Returns outstanding on the 31 March 2017 will need to be reported to the Department of Education.

Members are urged to reminded their representative groups that with the tightening of the financial position in schools that it is important to undertake the standards and that governors ensure proper processes are being undertaken in schools and to ensure that there is also proper governance.

## 6. **High Needs Block**

The growing numbers of pupils with high needs now indicate that there will be overspend at the year of £250k. There is no carry forward to offset this year and this will be need to be rolled forward and met form next year's forecast. The high needs sub group will be asked to look at the position over the coming months when the exact overspend at the year-end is known.

## 7 **Special Schools Budgets**

The settlement was particularly difficult as while there was extra growth for children with high needs of £0.5, the latest forecasts is the actual cost to Lewisham of the growth in pupil numbers with high needs is £1.7m.

The commissioned places for special schools next year are shown below. Each of these places will be funded at £10,000.

School	Places	Funding (£)
Brent Knoll	154	1,540,000
Drumbeat	158	1,580,000
Greenvale	117	1,170,000

Watergate	108.8	1,088,000
TOTAL	537.8	5,378,000

In partnership with special schools, a review of the way in which special pupils are banded was undertaken as it was believed the existing method is unfit for purpose. The principle on which this was operated was that it would be cost neutral but accepting there would be changes between schools.

Clarification was sought from the DFE on whether a disapplication of the Minimum Funding Guarantee (MFG) was required. The MFG limits a loss in a schools budget to 1.5%. The regulations allow for funding changes outside of the minimum funding guarantee based on needs and pupil numbers. The DFE have given formal approval to the disapplication.

In terms of notification of special school budgets the normal process is to confirm the place led funding before the end March as is required under the statutory guidance

Special school funding operates on the basis that top up funding will be given to schools for the actual pupils within the school on a day by day basis. Normally we do not provide a forecast of this. However as there is a new funding system the special schools have been provided with an estimate of the funding they are likely to receive.

The banding rates we will use are those prior to the reduction of the £0.5m that the schools forum agreed on 17 January as after discussions with the DFE this did not fit within the MFG criteria entirely although a partially reduction could be made. The rates are as follows.

	£
Band E	6,200
Band F	15,200
Band G	27,900

It is proposed that the shortfall in funding will be met from the extra growth in the settlement that was detailed in the budget report to the Forum on the 17 January 2017

The figures below are a forecast of the individual special schools budget for the year. The numbers, particularly in September starters, provide an estimate of the pupils we think will join the school. Their bandings are assumed to follow the profile of bandings of the children in the school already.

Top-Up Funding 1<sup>st</sup> April 2017 to 31<sup>st</sup> August 2017

School	Band E	Band F	Band G	Funding £
Brent Knoll	27	70	50	853,000
Drumbeat	20	102	36	869,000
Greenvale	21	32	62	762,000
Watergate	0	22	76	798,000
<b>TOTAL</b>	<b>70</b>	<b>221</b>	<b>231</b>	<b>3,282,000</b>

Top-Up Funding 1<sup>st</sup> September 2017 to 31<sup>st</sup> March 2017

School	Band E	Band F	Band G	September Starters	Funding £
Brent Knoll	27	74	49	4	1,844,000
Drumbeat	16	96	36	2	1,753,000
Greenvale	16	31	67	4	1,705,000
Watergate	0	19	67	8	1,593,000
<b>TOTAL</b>	<b>63</b>	<b>212</b>	<b>226</b>	<b>21</b>	<b>6,895,000</b>

For those schools that are losing, the Forum are asked to agree transitional protection to ease the financial management of the changes. This will be based on comparing the change in funding from the current year with the above figures and provide support of 42% of the change. This is based on providing support for the first 5 months of the year. The funding for the transitional protection is proposed to come from the reserve set aside for the start of the post 19 provision.

The following table summarises the figures

School	Place Funding (£)	Top-Up Funding April to August (£)	Top-Up Funding Sept to March (£)	Transitional Funding (£)	Forecast of Likely Funding During The Year (£)
Brent Knoll	1,540,000	853,000	1,844,000	0	4,237,000
Drumbeat	1,580,000	869,000	1,753,000	200,000	4,402,000
Greenvale	1,170,000	762,000	1,705,000	0	3,637,000
Watergate	1,088,000	798,000	1,593,000	0	3,479,000
<b>TOTAL</b>	<b>5,378,000</b>	<b>3,282,000</b>	<b>6,895,000</b>	<b>200,000</b>	<b>15,755,000</b>

**8. Closing the accounts**

The timetable for Local Authorities to closing their financial accounts has gradually been reducing. Several years ago it was in the September after the year end. This has moved forward and now the accounts needs to be closed by June, however this will be brought forward to May in 2017/18. For this year Lewisham are undertaking a “dry run” to see what issues this will create.

This “dry run” and the fall of the Easter Holidays will mean schools will need to supply their data and close their accounts on the 24 March 2017. Comprehensive notes detailing this have been sent out already to schools and training sessions were held for Schools Bursars on 7 March 2017.

**9 Proposals to support an additional resource with the Fair Access, Elective Home Education and Alternative Provision Service**

9.1 Year 11 In Year Admissions: For all year 11 in-year admissions during September to January (within an academic year) to be referred to Baseline for an advice and guidance session on the best choice of education / fair access. This would identify needs and aspirations, and enable young people to placed appropriately within Lewisham e.g. at school, Alternative Provision, the Lewisham Southwark College or Abbey Manor College. All other Year 11 in year admissions can follow the same route but the concentration is the start of the academic year until census date. English as a first language learners would still follow the normal admissions route to Lewisham Southwark College.

9.2 In Year Admissions: To support the investigation of any in year applications that trigger key questions about the suitability of a child or young person to be educated within a mainstream education e.g. poor attendance, behaviour, risk of permanent exclusion or permanent exclusions in other boroughs. This means taking into account key admissions legislation and statutory guidance so we can support children and young people to be successful in their education.

Schools Forum is asked to consider the additional resource for both issues and agree £40,000 to support the two needs.

**10 Oracle Enterprise Resource Planning (ERP)**

The Council is currently engaged in a procurement exercise to replace its payroll and human resources software. The current software is ResourceLink and this has been provided by NorthgateArinso Limited

for the last eight years, with the current contract due to come to an end in March 2018. It is important to note that for those schools that currently use the Council's payroll service, there will be no adverse impact with the implementation of a new solution. It will be an entirely seamless transition, resulting in continuous services and very much business as usual. In fact, with the greater enhancements we are expected to gain by moving to a new solution, there will be better opportunity for schools to engage with and use the payroll service more effectively. The Council intends to brief schools in more detail at the appropriate time during the solution implementation phase which is expected to start prior to the summer holidays. Should you have any queries in the meantime, then please contact Selwyn Thompson, LBL Head of Financial Services.

## **11 Traded Services Update**

All service level agreements have been reviewed for 2017/18 to ensure that they are accurate, clear and provide schools with good value for money. Consultation with schools over the last year has helped the Council to understand school priorities, buying habits and service requirements. As a result of this, the services included have aimed to clarify their offer and made amendments based on feedback received. The Services for Schools booklet was published in the Headteachers' Weekly Bulletin on 9th February 2017 for headteachers, business managers and governors to browse service level agreements. The booklet will be sent out again on 15th March 2017 with a charging form for schools to commit to buying services.

Lewisham Council is offering two new SLAs which can be purchased from September 2017 to August 2018: Safeguarding and a School Resilience Package. Following consultation and analysis of purchasing habits, the following services will no longer be offered as part of this SLA booklet:

- Anti-Fraud and Corruption: support will be offered on an ad-hoc basis in consultation with the CYP directorate.
- Corporate Health and Safety: statutory services will continue at the Council's expense.
- Insurance and Risk Management: this is no longer managed through the SLA booklet but mandatory services will continue for council-owned buildings and council employees.
- Internal Audit: the service will continue to be charged for as appropriate but is not included within the SLA booklet as schools are currently on a rolling 3 year audit programme.

The Schools Mail Service will be completely reviewed in 2017–18.

## 12. 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:

	<b>Growth Fund</b>	<b>Contingency</b>	<b>Non-Sickness Supply</b>
	£	£	£

<b>Brought Forward</b>	<b>-247,083</b>	<b>-726,549</b>	<b>158,993</b>
<b>Distributed To Schools</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Offset</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>-247,083</b>	<b>-726,549</b>	<b>158,993</b>

<b>De-Delegation Income</b>	<b>0</b>	<b>-649,998</b>	<b>-799,993</b>
<b>Budget</b>	<b>-1,092,000</b>	<b>0</b>	<b>0</b>
<b>Spend To Date</b>	<b>1,160,929</b>	<b>0</b>	<b>857,593</b>
<b>Projected Spend</b>	<b>0</b>	<b>1,310,355</b>	<b>350,155</b>
	<b>68,929</b>	<b>660,357</b>	<b>407,755</b>

<b>Cumulative Total</b>	<b>-178,154</b>	<b>-66,192</b>	<b>566,748</b>
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### 12.1 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 have been made to academies.

A surplus of £205k is forecast.

### 12.2 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 the projected overspend in the non-sickness supply scheme.

### 12.3 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.

The summer and autumn term claims have been paid. These totalled £858k.

Forecasting future claims is difficult and previous years show little consistency, but as the autumn term claims for this year are similar to the same period last year, a spring term estimate similar to the actual spring term claims from last year has been added.

This leads to the forecast of a deficit of £567k. The de-delegation charges for 2017/18 have been increased to cover the increased level of claims and the deficit that will be carried forward.

13. The school meals corporate catering account managed by Chartwells is currently showing a surplus, which will allow some catering charge to be returned to schools. The sum involved has yet to be finalised as the contract year concluded at the end of the spring term. However our forecasts suggests there will be a residual balance and in accordance with previous decisions by Schools Forum, we are seeking approval to return this to schools once the account has closed. The final payment under the contract for 2014/15 has now been made. Negotiations are currently being conducted to determine the adjustment to the contract payments to take into account the LLW increase (hourly rate from £9.15 - £9.75 April 2017) and future inflation.

In setting the charge for schools it was agreed that the Council would endeavour to keep this the same throughout the life of the five year contract. It was accepted at the time that due to the vagaries of future financial forecast this may change.

While at the moment the negotiations are ongoing it is apparent that there will be a sum of money in the account that can be returned to schools. It would seem sensible that this is returned to schools as soon

as possible and in line with the charges under the current contract. The charge is based on pupil numbers and free meal numbers. The Forum are recommended to agree this in principal and thus allow distribution as soon as agreement is reached with Chartwells.

The likely sums involved for schools of various sizes are as follows

Small School	10,000
Medium School	20,000
Large School	25,000

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