

MUNICIPAL YEAR 2016/2017 REPORT NO. 7

MEETING TITLE AND DATE:

Schools Forum 13th October 2016

REPORT OF:

Director of Finance, Resources & Customer Services

Contact officer

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Agenda – Part:

Item: 4e

Subject: Schools Budget - 2015/16 Outturn Report and 2016/17 Monitoring Update

1. EXECUTIVE SUMMARY

1.1. This report provides a review of the schools budget revenue expenditure for 2015/16 which resulted in a year-end balance of £1.204m being carried forward into 2016/17. The reasons for the variances are described below and a summary of the schools' outturn position is also included.

2. RECOMMENDATIONS

2.1 To note the contents of the report.

3. 2015/16 DSG OUTTURN POSITION

3.1 The original estimate of DSG resources for 2015/16 amounted to £311.123m before the academies recoupment adjustment. This estimate included use of £2.573m from DSG reserves and estimates of in year adjustments for early years funding. Budget allocations for 2015/16 were agreed within this level of resources. Subsequent adjustments resulted in the final DSG being £307.568m as in year early years adjustments were significantly lower than estimated, as shown in the table below.

DSG Summary 2015/16	£'000s
Original estimate of 2015/16 DSG	308,550
Use of DSG Accumulated Balances	2,573
Total Estimated DSG Resources 2015/16*	311,123
Final Allocation – lower early years funding	-3,555
Final DSG Resources 2015/16*	307,568
Academies Recoupment Transfer	-45,680
Net DSG Resources 2015/16 (including balances)	261,890

* DSG resources include £1,210k EFA funding for post 16 special school pupils

4. ACCUMULATED DSG CARRIED FORWARD

4.1 The following table sets out the cumulative DSG resources available as at 31 March 2016.

		£'000s
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Balance brought forward 1 April 2015		6,026
Less Carry forwards applied in 2015/16		
Contribution to 15/16 Schools Budget	-2,573	
Two Year Old Trajectory Funding	-1,102	
School in Financial Difficulties Contingency	-100	-3,775
		2,251
2015/16 overspend		1,047
Total 2015/16 Carry Forward		1,204
Earmarked carry forwards:		
Two Year Old Trajectory funding	-155	
School in Financial Difficulties Contingency	-105	
Autism Contingency	-800	1,060
Uncommitted Balance c/f 31 March 2016		144

5. REASONS FOR VARIATIONS FROM ORIGINAL BUDGET

- 5.1 The DSG carry forward balance at the end of 2015/16 is lower than estimated due to overspends in some areas during the financial year. The following table provides an analysis of the reasons for budget variances and the amounts. A minus sign indicates reduced expenditure or additional income.

2015/16 Outturn Analysis	£'000s
Early Years - 3 & 4 Year Olds Underspend due to lower take up of places	-453
Early Years - 2 Year Olds Underspend due to lower take up of places	-1,915
High Needs – Outborough SEN Placements Overspend due to increase in demand for places	821
High Needs – Exceptional Needs Overspend reflects increase in demand for outborough specialist places	461
High Needs – Post 16 SEN Overspend reflects increase in demand for post 16 SEN support	345
Central Licences Charge from DfE higher than estimated de-delegated amount	101
Asset Management Lower revenue funding required to support capital projects	-103
Behaviour Support Underspend mainly relating to staff vacancies during the year	-120
Miscellaneous minor variances	-170
High Needs Contingency to offset overspend	-1,475
Net Budget Underspend	-2,508
Reduction in planned DSG income	3,555
Net Position 2015/16 – funded from DSG reserves	1,047

6. 2016/17 MONITORING POSITION

6.1 DSG 2016/17

At the March 2016 Schools Forum meeting it was reported that the estimated final DSG settlement for 2016/17 was **£310.207m**. This was based on the DSG allocation issued by the EFA in December 2015 plus an estimate of the in year adjustment for the Early Years Block reflecting the January 2016 census for 2 year olds and 3&4 year olds.

In July the final DSG allocation for 2016/17 was announced and this is shown in Table 1 below.

Table 1 - Summary of Funding and Draft Budgets by Funding Block

2016/17 DSG (Final)	Dec-15	July-16	Variance
	£000	£000	£000
Schools Block	258,530	258,530	0
Early Years Block 3&4 Year Olds – Jan 15	13,210	13,210	0
Early Years Block 3&4 Year Olds – est uplift to Jan 16 census	629	-8	-637
Early Years Block (3&4 Year Olds)	13,839	13,202	-637
Early Years Block 2 Year Olds – Jan 15	4,098	4,098	0
Early Years Block 2 Year Olds – est uplift to Jan 16 census	1,620	346	-1,274
Early Years Block (2 Year Olds)	5,718	4,444	-1,274
High Needs Block	30,886	30,886	0
Total Estimated DSG 2016/17	308,973	307,062	-1,911
EFA Funding for post 16 special school pupils	1,234	1,234	0
Total DSG 2016/17 plus EFA Allocation	310,207	308,296	-1,911

6.2 Early Year Pupil Premium

The Early Years Pupil Premium Grant (EYPP) is paid as part of the DSG allocation rather than with the other pupil premium funding. The original allocation for 2016/17 was £418k but the revised allocation issued in July 2015 was £169k which is in line with our 2015/16 expenditure.

6.3 Academies Recoupment

The final 2016/17 DSG allocation has also been reduced by £53,783m to reflect the recoupment for all academies as at 01 April 2016. A further adjustment is expected later in the year to reflect the 4 schools that converted to academy status with effect from 01 September 2016. This adjustment has a nil effect on the overall schools budget position as a reduction in income is matched by a reduction in expenditure.

6.4 2016/17 Schools Budget Monitor

The monitoring report produced at the end of July 2016 predicts an end of year overspend of £29k as detailed in **Table 2**. Any ongoing implications of the pressures that are identified through the monitoring process will be fed into the 2017/18 draft budget.

Table 2 – DSG Budget Monitor Position 2016/17

2016/17 – July Monitoring Position	£'000s
Early Years Underspend projected due to placements for 2 year olds and 3 and 4 year olds being lower than estimated	-1,869
Mainstream Tuition Underspend projected based on current pupil nos	-252
High Needs – Outborough Day Placements Overspend projected based on in year increase in pupils being placed in outborough day provision	283
High Needs – Outborough Residential Placements Overspend projected based on in year increase in pupils being placed in outborough residential provision	593
High Needs – Exceptional Needs Overspend reflects increase in the number of EHCPs, resulting in an increase in delegated funding to schools	300
Miscellaneous minor variances	-87
High Needs Contingency to offset overspend	-850
Net Budget Underspend	-1,882
Reduction in planned DSG income	1,911
Latest Monitoring Position 2016/17	29

The table above indicates that the main budget monitoring issues relate to the early years and high needs budget areas.

Early Years

The pupil numbers for both 2 year olds and 3 and 4 year olds are lower than estimated which has reduced both income and expenditure. Current projections indicate an almost breakeven position but this will be monitored closely during the autumn and spring terms to pick up any variations in numbers.

High Needs

The current overspends in outborough placements and exceptional needs funding can almost be contained within the high needs contingency and minor underspends in other central budget areas. There is, however, a high level of risk surrounding these budgets as demand continues to increase and the overspend is likely to increase over the next 2 terms. Other developments to increase in borough SEN provision will also increase the overspend in 16/17 but should reduce the need for additional pupils to be placed in more expensive out of borough provision. The early year's provision at Waverley, effective from September 2016, is estimated to cost £300k in 2016/17.

DSG Outturn Position

Based on the latest monitoring position and the ongoing and additional pressures identified above, the 2016/17 DSG allocation is anticipated to be overspent. The reserves bought forward from 2015/16 available to offset any overspend are minimal so guidance from the DSG Conditions of Grant would apply. As there is no LA general fund to offset any DSG overspend the following clause would apply.

The local authority may decide not to fund any of the overspend from its general resources in the year in question and to carry forward all the overspend to the schools budget in the next year or the year after that. A local authority needs to obtain the consent of the schools forum, or failing that the Secretary of State, to fund this deficit from the schools budget.