

## SCHOOLS FORUM

### **Budget Reconciliation - Reconciliation between 2017/18 Budget figures presented in January/March 2017 and a Revised 2017/18 Budget as at July 2017**

#### **1 Purpose of the Report**

This note is seeking to provide a reconciliation between the Budgets approved at Schools' Forum (SF) in January/March and those figures reported in July 2017. Following an explanation of this reconciliation it is intended that the SF will be able to adopt the revised budget position in October.

#### **2 Suggested Action**

The Schools' Forum members note the contents of this report and request further clarity where felt necessary.

#### **3 Background**

The budgets presented to SF in January and March are the same, with one small exception; the School Admissions line (1.4.2) was reduced from £304k to £281k.

The budget figures presented in July contained numerous changes to those presented in January and March. There are various reasons for this including; new DfE grant notifications, additional budget approvals by SF, grossing up of figures to provide greater transparency and re-alignment between the budgets to be more representative of the latest position e.g. maintained schools to Academies.

The reconciliation to July is fairly complex, and Appendix A has been produced to assist with explanation. It shows the January/March Budgets presented to SF, the 2016/17 outturn figures and the July figures restated in the common format. Each budget line is given a reference number to aid explanation and it is indicated on the schedule where budget lines are referred to in notes included later in this report.

In recognition of the unavoidable complexity and the need for SF members to assure themselves of the revised figures, an invitation was offered to SF members for a face to face explanatory session.

The figures presented in July included some subjective forecast assessments (line 16, 17, 28) and it has been agreed with the Chair and Deputy Chair of SF that that these would be restated at the previous January approved Budget levels. Only revisions that were considered to be unavoidable (e. g. imposed by DfE or based on new SF specific approvals) are put forward as the Revised Budget.

#### **4 Financial Analysis**

A high level analysis shows that the approved January Budget was calculated with an in-year deficit of £689k, and a carry forward deficit of £137K, which increased to £159k in the March SF report. These carry forward budgeted deficits would not have been apparent to SF when the Budget figures were approved due to a mis-statement of the line 'total in year (surplus)/deficit' (which stated £261k deficit as opposed to £689k deficit). Further, neither report took account of the new Education Support Grant line item, which was approved by SF at the January 2017 meeting of £373k. Line 56 of the Appendix A shows the effect on the

budgeted carry forward balances when this amount is included. The January SF report would have increased to a £510k deficit and the March SF report to £532k deficit.

The recast and recalculated Revised 2017/18 Budget July SF report together with the larger than estimated carry forward from 2016/17 now shows a carry forward deficit of £309k. This is a 'like for like' £223k smaller deficit than the recalculated January and March figures had anticipated.

In arriving at this Revised 2017/18 Budget carry forward deficit, an additional £603k (line 54 £1,665k less £689k less £373k ESG) of balances have been used. This is largely explained by a £521k reduction in Schools block allocation (line 44) that was transferred by the DfE to High Needs Block (line 46).

The line by line variances in Appendix A are explained below:

**(Note A)** There are significant variances between lines 1 and 3, but a minor variance when both figures are added together (see table). These variances are as result of using the most up to date figures regarding Academy transfers. It has not been possible to ascertain the data behind the original calculation but the data behind the latest July calculation can be verified.

Description	January 2017	July 2017	Variance
	£000	£000	£000
Line 1 School block allocation excl de-delegated	63,628	62,053	1,575
Line 3 Academy recoupment	28,968	30,675	(1,707)
Variance	92,596	92,728	(132)

**(Note B)** Line number 5, 7 & 10 have been updated with the latest information provided to us from the DfE. These grant items are passported to the schools by the LA on behalf of the DfE. The Income corresponding to the additional PE Grant funding is still awaiting notification. Line number 7 Pupil Premium excluding Academies of £2,420k plus the amounts in lines 11 and 12 of £129k and £37k, respectively, now balance the passported income from line 51 Pupil Premium 5-16 years (£2,586k). The Line 7 January and March Budget figures of £2,573k was a calculation error which would have resulted in passporting out more than was passported in.

**(Note C)** The School Block Allocation budget income (line 44) has decreased from January 2017 to the final DSG in March 2017 by £521k which has been transferred into the High Needs Block budget by the DfE (see below). The assumption is that DfE have based this on the estimated 2016/17 outturn which would have revealed pressures in the High Needs Block. The figures shown in the variance column do not agree because the DfE have incorporated census figure updates.

Description	January DSG	July DSG	Variance
	£000	£000	£000
Line 44 Schools Block Allocation including academies	(95,385)	(94,864)	521
Line 46 High needs block includes Academies	(17,092)	(18,944)	
Line 4 High needs academy recoupment*	0	1,386	
High needs net of academy recoupment	(17,092)	(17,558)	(466)

\*Line 4 represents Place funding for the Special School academy (Northern House) which transitioned to academy status during 2016/17.

**(Note D)** The table below shows the full allocation of the £18.9m High Needs Block (line 46). As indicated above, the £17,092k previously reported has been increased by Line 4 (now shown gross) and £466k additional funding. In allocating out the full £18.9m (as required by the DfE), line 22 (\*) £692k is introduced as an additional as yet 'unallocated' budget item.

Description	July DSG
	£000
Line 4 Academy recoupment	1,386
Line 6 High needs block allocations	6,143
Line 18 Provision for pupils with SEN	2,517
Line 19 Moderating Panels	150
Line 20 Provision for pupils with SEN not inc. line 18	20
Line 21 Support for inclusion – HNB	507
Line 22 Unallocated inc. in the HNB*	692
Line 23 Fees for independent special schools	6,119
Line 24 SEN transport	230
Line 26 Pupil referral units	470
Line 28 Education out of school	710
<b>Total amount allocated</b>	<b>18,944</b>

**(Note E)** The Early Years Block grant funding (Line 47) varies from January's SF Budget because items such as the 30 hours for working parent funding and the increase in funding for providers was not known at the time of budget preparation. The DfE are still changing the allocation in this area with another notification given at end of July17. The DfE regulation states that 95% of the funding goes to providers and the LA is allowed to retain 5% for statutory obligations. SF agreed to transfer £370k for these duties (line 17). The revised EY allocation (line 8) is as a result of the increased grant (line 47). The full allocation of the grant is shown below.

Description	July DSG	Percentage
	£000	
Line 47 Early year block	<b>(9,546)</b>	100%
Allocation		
Line 8 EY allocation	8,947	94%
Line 16 EY contingency for providers only	229	2%
Sub TOTAL minimum of 95%	9,176	96%
Line 17 Centrally retained amount agreed at SF	370	4%
TOTAL	<b>9,546</b>	100%

**(Note F)** Line ref 14, 27, 30, 35, 37, and 40 represent de-delegated items. A table of de-delegation was presented to SF in July this has been used for the Revised 2017/18 Budget July figures. The only figure unchanged from the January/March budgets is line 27. The figures that have changed represent a more precise calculation, taking into account in-year

Academisation, than that made in January and March. The effect has been to reduce the budgeted total for de-delegated items from £2,120k to £1,722k.

**(Note G)** The figure in the January SF assumed the continuation of the NQT grant (line 15). Late notification by the DfE in the DSG allocated grant at the end of March 2017 confirmed that this grant would no longer be given to the LA.

**(Note H)** The ESG (line 42) was approved by SF in January School forum and is now included in the Revised 2017/18 Budget July figures (column F).

## **5 Minimum Funding Guarantee (MFG)**

Incorporated in the January and March Budgets is a MFG payment to schools of £832k, to protect all schools year-on-year income levels at a maximum of minus 1.5%. The effect of this is that £832k funding had to be found outside of the Individual Schools Budget. This is the major explanation behind the £689k use of balances on Line 54. Although the MFG payment is included in the School Block Allocation presented to SF in January, its effect is not apparent as a result of the mis-stated 'total in-year (surplus)/deficit' figure previously referred to. The impact of the MFG payment should have been more transparent to SF.

There is no choice but to fund the £832k MFG, which could be supported from either brought forward balances or the HNB Budget. The HNB is an area under significant cost pressure and already forecasting an overspend in 2017/18. The use of brought forward balances to fund the MFG effectively 'buys time' to take the necessary actions required to meet the HNB in year expenditure pressures and address the MFG. One possible consideration for SF to avert a similar future pressure on funds is the introduction of capping of MFG increases.

## **6 Next Steps**

SF members are invited to raise any queries to assure themselves regarding the proposed Revised 2017/18 Budget. Once the Revised 2017/18 Budget is agreed, budget monitoring and forecast variances will be reported against the revised figures.

Work will continue to reduce HNB expenditure pressures.

**Graham Ebers**  
**Director of Finance**  
**August 2017**

APPENDIX A								
			<b>Schools Budget 2017/18 - Revised</b>					
				A	B	C	F	
Note	Line Ref	S251 line no.	S251 title	1617 Out-turn - SF page 25 May 2017	First draft presented to December Forum 2017/18 Budget - SF 18-1	First draft presented to December Forum 2017/18 Budget - SF 29-3	Revised 2017/18 Budget Forecast - July SF (as at April 2017)	Variance against C-F
			<b>TOTAL EXPENDITURE</b>					
A	1	1.0.1	Schools Block Allocation excl Academies net of de-delegated funds including HNB allocations	61,492	63,628	63,628	62,053	1,575
	2	1.7.4	6th form funding from EFA	3,194	3,258	3,258	3,258	-
A	3	1.8.1	Academy Recoupment from Schools Block	28,999	28,968	28,968	30,675	(1,707)
C	4	1.0.1	High needs academy recoupment		-	-	1,386	(1,386)
B	5	UIFSM	UIFSM Revenue / Start Up	2,163	2,228	2,228	2,227	1
D	6	1.0.1.	High Needs Block allocations	6,529	6,143	6,143	6,143	(0)
B	7	PPG	Pupil Premium excl Academies	2,381	2,573	2,573	2,420	153
E	8	1.0.1	Early Years Block Allocation inc exp for Education of Children under 5s in Private/voluntary/independent settings	6,498	6,963	6,963	8,947	(1,984)
	9		<b>Sub Total of ISB and PVI allocations</b>	<b>111,257</b>	<b>113,760</b>	<b>113,760</b>	<b>117,109</b>	<b>(3,349)</b>
B	10		PE Grant - Additional school grants				250	(250)
B	11	1.0.2	Pupil Premium allocated to schools - mainstream	112	129	129	129	-
B	12	1.0.3	Pupil Premium in non-mainstream settings	36	37	37	37	-
E	13		Pupil Premium 3-4 years	39	42	42	42	(0)
F	14	1.1.2	School-specific contingencies	275	340	340	129	211
G	15		NQT Induction	32	32	32	-	32
E	16	1.3.1	Early Years Contingency - Providers only	104	229	229	229	-
E	17	1.3.1	Early years Centrally Retained for statutory LA duties				370	(370)
D	18	1.2.1	Provision for pupils with SEN (including assigned resources)	2,415	2,517	2,517	2,517	0
D	19	1.2.1	Moderating Panels	183	150	150	150	-
D	20	1.2.2	Provision for pupils with SEN, provision not included in line 1.2.1	18	20	20	20	-
D	21	1.2.3	Support for inclusion - HNB	401	507	507	507	-
D	22		Unallocated increase in the HNB special school budget				692	(692)
D	23	1.2.4	Fees for pupils at independent special schools & abroad	6,155	6,119	6,119	6,119	-
D	24	1.2.5	SEN transport	230	230	230	230	-
	25	1.2.7	Inter-authority recoupment			-	-	-
D	26	1.2.1	Pupil Referral Units	470	470	470	470	-
F	27		Behaviour Support Services	321	321	321	321	0
D	28	1.2.6 and 1.2.7	Education out of school	638	710	710	710	-
F	30	1.4.1	Support to under-performing ethnic minority groups and bilingual	151	146	146	143	3
	31	1.4.10	Pupil growth/ Infant class sizes	1,339	1,300	1,300	1,300	0
F	35	1.6.1	insurance	573	598	598	547	50
	36	1.4.2	School admissions	268	304	281	304	(23)
F	37	1.6.4	Licenses and subscriptions	318	346	346	220	126
	38	1.4.13	Miscellaneous (not more than 0.1% total of net SB)	185	97	97	97	-
	39	1.4.3	Servicing of schools forums	4	4	4	4	-
F	40	1.6.7	Staff Costs - supply cover	324	369	369	362	7
H	42		ESG Services		-		373	(373)
			<b>Total Central Expenditure</b>	<b>14,592</b>	<b>15,017</b>	<b>14,994</b>	<b>16,273</b>	<b>(1,279)</b>
			<b>TOTAL SCHOOLS BUDGET</b>	<b>125,849</b>	<b>128,777</b>	<b>128,755</b>	<b>133,382</b>	<b>(4,628)</b>

				A	B	C	F	
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			<b>TOTAL INCOME</b>					
C	44	DSG	Schools Block Allocation includes Academies	(92,947)	(95,385)	(95,385)	(94,864)	(521)
	45		NQT	(32)		-		-
C	46	DSG	High Needs Block includes Academies	(16,900)	(17,092)	(17,092)	(18,944)	1,852
E	47	DSG	Early Years Block 3-4 year olds	(6,997)	(7,249)	(7,249)	(9,546)	2,297
			<b>Dedicated schools Grant total</b>	<b>(116,876)</b>	<b>(119,726)</b>	<b>(119,726)</b>	<b>(123,355)</b>	<b>3,629</b>
	48	DFE	Additional School Grants	(250)	(250)	(250)	(250)	-
	49	DFE	UIFSM Revenue	(2,163)	(2,227)	(2,227)	(2,227)	0
	50	EFA	Education Funding Agency 6th Form Funding	(3,194)	(3,258)	(3,258)	(3,258)	0
B	51	EFA	Pupil Premium 5-16 years	(2,504)	(2,586)	(2,586)	(2,586)	0
E	52	DFE	Pupil Premium 3-4 years	(40)	(42)	(42)	(42)	0
			<b>TOTAL FUNDING</b>	<b>(125,027)</b>	<b>(128,088)</b>	<b>(128,088)</b>	<b>(131,718)</b>	<b>3,630</b>
J	54	Funding	<b>Variance between the Expenditure and Income ( I &amp; E) (surplus)/deficit</b>	<b>821</b>	<b>689</b>	<b>667</b>	<b>1,665</b>	(998)
	55		Brought Forward (surplus) /Deficit balance	(2,177)	(552)	(508)	(1,356)	848
			<b>ESG services</b>			373	-	
	56		<b>Total Year-end (surplus)/Deficit</b>	<b>(1,356)</b>	<b>137</b>	<b>532</b>	<b>309</b>	223