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BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333

CONTACT: Kerry Nicholls  
*kerry.nicholls@bromley.gov.uk*

DIRECT LINE: 020 8313 4602

FAX: 020 8290 0608

DATE: 19 June 2014

## **EDUCATION BUDGET SUB-COMMITTEE**

**Meeting to be held on Tuesday 24 June 2014**

**Please see the attached report marked “to follow” on the agenda.**

**6 BUDGET MONITORING 2014/15 (Pages 3 - 12)**

*Copies of the documents referred to above can be obtained from*  
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Report No.  
ED14045

London Borough of Bromley

**PART ONE - PUBLIC**

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Decision Maker: **Education Budget Sub-Committee**

Date: **24<sup>th</sup> June 2014**

Decision Type: Non-Urgent Executive Non-Key

**TITLE: EDUCATION PORTFOLIO BUDGET MONITORING REPORT  
2014/15**

Contact Officer: David Bradshaw, Head of Education and Care Services Finance  
Tel: 020 8313 4807 E-mail: david.bradshaw@bromley.gov.uk

Chief Officer: Terry Parkin, Executive Director of Education and Care Services

Ward: Boroughwide

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## **1. REASON FOR REPORT AND SUMMARY OF BUDGET POSITION**

- 1.1 This report reviews budget monitoring based on spending to the end of May 2014.
  - 1.2 The Schools' Budget is funded from Dedicated Schools' and specific grants and is forecast to be underspent by £1,285,000. Any over or underspends on this budget are carried forward into the next financial year.
  - 1.3 The Non-Schools' Budget is funded from Council Tax, Revenue Support and specific grants and the controllable part of it is forecast to be in an overspend position of £320,000. This assumes that £422,000 will be drawn down from contingency to offset the shortfall in Education Services Grant (ESG).
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## **2. RECOMMENDATIONS**

### **2.1 The Education PDS Budget Sub-Committee is requested to:**

- (i) **Consider the latest 2014/15 budget projection for the Education Portfolio;**
- (ii) **Refer the report to the Portfolio Holder for approval**

### **2.2 The Portfolio Holder for Education is requested to:**

- (i) **Agree to the release of £297,000 of the Children's Centre carry forward currently being held in contingency**

### Corporate Policy

1. Policy Status: Not Applicable:
  2. BBB Priority: Children and Young People:
- 

### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Education Portfolio budgets
  4. Total current budget for this head: £13,131k
  5. Source of funding: RSG, Council Tax, DSG, other grants
- 

### Staff

1. Number of staff (current and additional): 2,065 Full Time Equivalent, of which 1,777 are based in schools.
  2. If from existing staff resources, number of staff hours: N/A
- 

### Legal

1. Legal Requirement: Statutory Requirement:
  2. Call-in: Applicable
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### **3. COMMENTARY**

- 3.1 The 2014/15 projected outturn for the Education Portfolio is detailed in Appendix 1, broken down over each division within the service. Appendix 2 gives explanatory notes on the movements in each service.

#### **The Schools' Budget**

- 3.2 An element of the Education budget within Education Care and Health Services (ECHS) department is classed as Schools budget and is funded by the Dedicated schools Grant (DSG); this is projected to underspend by £1,285,000. Legislation requires that any variance should be carried forward to the next financial year. Details are contained within Appendices 2 and 4.

#### **The Non-Schools' Budget**

- 3.3 An element of the Education budget within ECHS is classed as Non Schools Budget and this is projected to overspend by £320,000. This is in two main areas, Adult Education and the Youth Service. Details of the variations are contained within Appendix 2 and 4.
- 3.4 The Education Services Grant is overspent by £422,000. However for monitoring purposes it is assumed that the funding will be drawn down from a contingency amount available and held centrally. Therefore the position will be net zero.
- 3.5 Costs attributable to individual services have been classified as "controllable" and "non-controllable" in Appendix 1. Budget holders have full responsibility for those budgets classified as "controllable" as any variations relate to those factors over which the budget holder has influence and control. "Non-controllable" budgets are those which are managed outside of individual budget holder's service and, as such, cannot be directly influenced by the budget holder in the shorter term. These include for example cross departmental recharges and capital financing costs. This ensures clear accountability by identifying variations within the service that controls financial performance. Members should specifically refer to the "controllable" budget variations relating to portfolios in considering financial performance.

#### **Full Year effect for 2015/16**

- 3.6 The full year effect pressure currently stands at £396k. This is in part due to the impact of the Education Services Grant (ESG), formerly known as LA LACSEG. As Schools convert to Academy status, DfE reduce the grant given to authorities to reflect a transfer of duties and responsibilities from the Authority to the Academy.
- 3.7 There are also full year effects of pressures arising from the Adult Education Service. There have been changes to the funding regime by central government in which courses that were previously chargeable are now free to the user. This has resulted in an increase in the number of students claiming full fee remission as they are unemployed. This will in part be mitigated by a reduction in staffing costs and running expenses. The service has plans for further efficiency savings. However it is likely that at least one of the grant funding streams will be further reduced, as well as a continued decline in tuition fee income.
- 3.8 The full year effect pressures will need to be contained in 2015/16 and actions will have to be taken by the Department to offset these pressures.

#### **Release of carry forward amounts held in contingency**

- 3.9 On the 10<sup>th</sup> June the Executive agreed a series of carry forward requests of funding to be transferred into contingency for 2014/15. It was agreed that this funding could only be released with the Portfolio Holder's approval.

## Children's Centres

- 3.10 The service requested a carry forward from the 2013/14 Bromley Children's Project underspends of £297k as approved by the Executive on the 2<sup>nd</sup> April 2014. The money is to be used along with the balance of £421k in the Sure Start Capital Programme to make essential repairs to Castlecoombe and Mottingham children's centres.
- 3.11 It is requested that the Portfolio agree to the release of this carry forward from the contingency.

## Directors Comments

- 3.12 The outturn is broadly in-line with the predictions made in the previous monitoring report. The significant underspend on DSG will need to be addressed with the guidance of schools' forum and the actions taken to control vacancies to ensure that overspends across the portfolio, such as those seen in the Adult Education Service, could be offset.
- 3.13 Members of the PDS will want to note that the controllable element of the education budget is £1.1m and that this value will reduce further as more schools enter the academy programme. This makes offsetting budget pressures within the education very difficult. Centrally retained DSG is used appropriately to support schools but we are very limited as to how we can utilise it and so an underspend in the DSG element of the education budget cannot be used to support the non-DSG spend.

## 4. POLICY IMPLICATIONS

- 4.1 The Resources Portfolio Plan includes the aim of effective monitoring and control of expenditure within budget and includes the target that each service department will spend within its own budget.
- 4.2 Bromley's Best Value Performance Plan "Making a Difference" refers to the Council's intention to remain amongst the lowest Council Tax levels in Outer London and the importance of greater focus on priorities.
- 4.3 The four year financial forecast report highlights the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2014/15 to minimise the risk of compounding financial pressures in future years.
- 4.4 Chief Officers and Departmental Heads of Finance are continuing to place emphasis on the need for strict compliance with the Council's budgetary control and monitoring arrangements.

## 5. FINANCIAL IMPLICATIONS

- 5.1 The 2014/15 budget for the Education Portfolio is projected to be overspent by £320,000 at the year end based on the financial information as at 31<sup>st</sup> May 2014.
- 5.2 A detailed breakdown of the projected outturn by service is shown in Appendix 1 with explanatory notes in Appendix 2. Appendix 3 shows the full year effect of any pressures and savings. Appendix 4 shows the split between Schools Block and Local Authority Block and Appendix 5 gives the analysis of the latest approved budget.

<b>Non-Applicable Sections:</b>	Legal Implications Personnel Implications
Background Documents: (Access via Contact Officer)	2014/15 Budget Monitoring files in ECHS Finance Section

2013/14 Actuals £'000	Division Service Areas	2014/15 Original Budget £'000	2014/15 Latest Approved £'000	2014/15 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
<b>EDUCATION CARE &amp; HEALTH SERVICES DEPARTMENT</b>								
<b>Education Division</b>								
Cr 401	Adult Education Centres	Cr 602	Cr 602	Cr 372	230	1	0	230
275	Alternative Education and Welfare Service	104	104	104	0		0	0
412	Schools and Early Years Commissioning & QA	565	565	565	0		0	0
4,451	SEN and Inclusion	4,772	4,772	4,772	0		0	0
213	Strategic Place Planning	255	255	255	0		0	0
11	Workforce Development & Governor Services	11	11	11	0		0	0
Cr 2,957	Education Services Grant	Cr 2,732	Cr 2,732	Cr 2,732	0	2	0	166
Cr 1,415	Schools Budgets	Cr 1,493	Cr 1,493	Cr 1,493	0	3	0	0
160	Other Strategic Functions	158	158	158	0		0	0
0	Early Years	0	0	0	0		0	0
0	Primary Schools	0	0	0	0		0	0
0	Secondary schools	0	0	0	0		0	0
0	Special Schools & Alternative Provision	0	0	0	0		0	0
0	Post-16 Provision	0	0	0	0		0	0
<b>749</b>		<b>1,038</b>	<b>1,038</b>	<b>1,268</b>	<b>230</b>		<b>0</b>	<b>396</b>
<b>Children's Social Care</b>								
1,790	Bromley Youth Support Programme - (Youth Svce)	1,468	1,468	1,558	90	4	0	0
1,889	Referral and Assessment Children's Centres	2,143	2,143	2,143	0		0	0
<b>3,679</b>		<b>3,611</b>	<b>3,611</b>	<b>3,701</b>	<b>90</b>		<b>0</b>	<b>0</b>
<b>4,428</b>	<b>TOTAL CONTROLLABLE FOR EDUCATION - ECHS</b>	<b>4,649</b>	<b>4,649</b>	<b>4,969</b>	<b>320</b>		<b>0</b>	<b>396</b>
9,221	<b>Total Non-Controllable</b>	5,096	5,096	5,092	Cr 4		0	0
3,802	<b>Total Excluded Recharges</b>	3,386	3,386	3,386	0		0	0
<b>17,451</b>	<b>TOTAL EDUCATION PORTFOLIO - ECHS</b>	<b>13,131</b>	<b>13,131</b>	<b>13,447</b>	<b>316</b>		<b>0</b>	<b>396</b>
<b>Memorandum Item</b>								
<b>Sold Services</b>								
	Education Psychology Service (RSG Funded)	Cr 23	Cr 23	Cr 23	0	}		0
	Education Welfare Service (RSG Funded)	Cr 39	Cr 39	Cr 39	0			0
	Behaviour Support (Secondary) (RSG Funded)	Cr 61	Cr 61	Cr 61	0			0
	Workforce Development (DSG/RSG Funded)	Cr 8	Cr 8	Cr 8	0			0
	Governor Services (DSG/RSG Funded)	Cr 7	Cr 7	Cr 7	0			0
	Community Vision Nursery (RSG Funded)	0	0	0	0			0
	Blenheim Nursery (RSG Funded)	0	0	0	0			0
	Business Partnerships (RSG Funded)	0	0	0	0			0
	<b>Total Sold Services</b>	<b>Cr 138</b>	<b>Cr 138</b>	<b>Cr 138</b>	<b>0</b>		<b>0</b>	<b>0</b>

**1. Adult Education - Dr £230k**

The final grant allocation for the 2014/15 academic year has only recently been received from the Skills Funding Agency (SFA), and a detailed plan of how the service will aim to meet the further reduction in grant, and the expected continued decline in tuition fee income has not yet been finalised.

The total SFA grant allocation for the 2014/15 financial year is around £40k less than that in 2013/14. Due to the difficulties the service experienced trying to reduce costs to the same extent that the grant/fee income reduced in 2013/14, resulting in an outturn of £230k overspent, it is currently anticipated that a similar, if not larger overspend will occur this year.

**2. Education Services Grant - Dr £0k**

Current projections for the Education Services Grant (ESG) allocation is £422k less than budget. The ESG allocation is re-calculated on a quarterly basis, so the grant reduces in-year as schools convert to academies. The current projection is based on the 3 conversions on 1st April 2014, with a further 11 conversions approved by DfE, including the PRU, all expected to convert before September 2014. The projection also includes a further 3 conversions which DfE has either received an application for, or are deemed likely to occur. The full year effect of these 17 conversions is £588k. It is assumed that the shortfall will be drawn down from the contingency to cover this off

**3. Schools Budgets (no impact on General Fund)**

Current projections for SEN placements show a continuance of the significant underspend in 2013/14, primarily due to lower than budgeted numbers of children, combined with the maintained lower average costs.

SEN support costs for students in further education establishments, for which funding and responsibility transferred to the authority for the first time in September 2013, is currently expected to underspend by £174k.

The 2014/15 budget included a sum of £600k to be allocated to early years providers. Unfortunately the funding regulations no longer allow us to make in year changes to the early years funding formula, so this amount will remain unspent.

The underspends above are partly offset by a continued increase in the requirement for bulge classes, resulting in an overspend of £476k on the £1m budget.

A major pressure areas in 2013/14 was Free Early Education (FEE) provision for 3 and 4 year olds, with an outturn of £529k overspend. This was more than offset by the underspend on FEE provision for 2 year olds, however this is not likely to re-occur to the same extent, as the authority moves towards the government's target of 40% uptake by September 2014. Accurate projections won't be possible until the final payments are made for the summer term, however an overspend is not anticipated as £1.3m budget growth was added for 2014/15.

	Variations	
		£'000
SEN Placements	Cr	987
SEN Support in FE colleges	Cr	174
Early years inclusion support	Cr	600
Bulge classes		476
	<b>Cr</b>	<b>1,285</b>

**4. Youth Service - Dr £90k**

Savings of £360k have been applied to the BYSP budget. The majority of the savings will be achieved through the realigning and repositioning of the Youth Services (universal and targeted). During this process there has been a staff consultation which was recently been completed and the revised staff establishment will be implemented from the end of July. This will result in a one-off in-year overspend of £90k.

**5. Sold Services (net budgets)**

Services sold to schools are separately identified in this report to provide clarity in terms of what is being provided. These accounts are shown as memorandum items as the figures are included in the appropriate Service Area in the main report.

**Waiver of Financial Regulations:**

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempted from the normal requirement to obtain competitive quotations, the Chief Officer has to obtain the agreement of the Director of Resources and Finance Director and (where over £100,000) approval of the Portfolio Holder, and report use of this exemption to Audit Sub committee bi-annually. No waivers have been approved since the last report to the Executive.

**Virements Approved to date under Director's Delegated Powers**

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, a virement for £7,200 to fund statutory training for Education Welfare Officers has been approved.



FULL YEAR EFFECTS 2015/16

Description	2014/15 Latest Approved Budget £'000	Variation To 2014/15 Budget £'000	Potential Impact in 2015/16
Education Services Grant	Cr 2,732	0	The Education Services Grant (ESG) is allocated on the basis of pupil numbers, and grant reduces in-year as schools convert to academies. Current projections are based on the 3 conversions on 1st April 2014, with a further 11 conversions approved by DfE, including the PRU, all expected to convert before September 2014. The projection also includes a further 3 conversions which DfE has either received an application for, or are deemed likely to occur. The full year effect of these 17 conversions is £588k. Assuming that the in year shortfall of £422k is drawn down from contingency this reduces to £166k
Adult Education	Cr 602	230	The current projected overspend for the Adult Education Service has continued from 2013/14, and is expected to continue into 2015/16. The service has indicated that they will plan for further efficiency savings, however the indicative grant allocation is a £40k reduction from 2013/14. In addition a continued decline in tuition fee income is expected.

Division Service Areas	RSG						DSG						
	Original Budget	Revised Budget	Projection	Variation	Last Reported Variation	FYE	Original Budget	Revised Budget	Projection	Variation	Last Reported Variation	FYE	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Education Division</b>													
Adult Education Centres	1 Cr 602	Cr 602	Cr 372	230	0	230	0	0	0	0	0	0	0
Alternative Education and Welfare Service	104	104	104	0	0	0	1,521	1,521	1,521	0	0	0	0
Schools and Early Years Commissioning & QA	565	565	565	0	0	0	15,919	15,917	15,317	Cr 600	0	0	0
SEN and Inclusion	4,772	4,772	4,772	0	0	0	23,740	22,747	21,586	Cr 1,161	0	0	0
Strategic Place Planning	255	255	255	0	0	0	276	276	276	0	0	0	0
Workforce Development & Governor Services	11	11	11	0	0	0	106	106	106	0	0	0	0
Education Services Grant	2 Cr 2,732	Cr 2,732	Cr 2,732	0	0	166	0	0	0	0	0	0	0
Schools Budgets	3 Cr 1,493	Cr 1,493	Cr 1,493	0	0	0	Cr 118,896	Cr 112,241	Cr 111,765	476	0	0	0
Other Strategic Functions	158	158	158	0	0	0	0	0	0	0	0	0	0
Early Years	0	0	0	0	0	0	1,085	0	0	0	0	0	0
Primary Schools	0	0	0	0	0	0	55,100	55,134	55,134	0	0	0	0
Secondary schools	0	0	0	0	0	0	2,751	3,201	3,201	0	0	0	0
Special Schools & Alternative Provision	0	0	0	0	0	0	16,353	11,294	11,294	0	0	0	0
Post-16 Provision	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>1,038</b>	<b>1,038</b>	<b>1,268</b>	<b>230</b>	<b>0</b>	<b>396</b>	<b>Cr 2,045</b>	<b>Cr 2,045</b>	<b>Cr 3,330</b>	<b>Cr 1,285</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Children's Social Care</b>													
Bromley Youth Support Programme - (Youth Services)	4 1,468	1,468	1,558	90	0	0	0	0	0	0	0	0	0
Referral and Assessment Childrens Centres	2,143	2,143	2,143	0	0	0	0	0	0	0	0	0	0
	<b>3,611</b>	<b>3,611</b>	<b>3,701</b>	<b>90</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CONTROLLABLE</b>	<b>4,649</b>	<b>4,649</b>	<b>4,969</b>	<b>320</b>	<b>0</b>	<b>396</b>	<b>Cr 2,045</b>	<b>Cr 2,045</b>	<b>Cr 3,330</b>	<b>Cr 1,285</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL NON CONTROLLABLE</b>	5,096	5,096	5,092	Cr 4	0	0	90	90	90	0	0	0	0
<b>TOTAL EXCLUDED RECHARGES</b>	3,386	3,386	3,386	0	0	0	1,402	1,402	1,402	0	0	0	0
<b>PORTFOLIO TOTAL</b>	<b>13,131</b>	<b>13,131</b>	<b>13,447</b>	<b>316</b>	<b>0</b>	<b>396</b>	<b>Cr 553</b>	<b>Cr 553</b>	<b>Cr 1,838</b>	<b>Cr 1,285</b>	<b>0</b>	<b>0</b>	<b>0</b>

**BUDGET VARIATIONS - ALLOCATIONS FOR 2014/15**

<b>Reconciliation of Final Budget</b>	<b>£'000</b>
<b>Original Budget 2014/15</b>	<b>13,131</b>
SEN Reform Grant Income	Cr 382
SEN Reform Grant Expenditure	382
<b>Latest Approved Budget for 2014/15</b>	<b><u>13,131</u></b>

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