

Decision Maker: **SCHOOLS FORUM**

Date: **Thursday 25 June 2015**

Decision Maker: **EDUCATION PORTFOLIO HOLDER**

Date: **For pre-decision scrutiny by the Education PDS Budget Sub-Committee on Tuesday 30 June 2015**

Decision Type: Non-Urgent Executive Non-Key

Title: **EDUCATION PORTFOLIO OUTTURN REPORT 2014/15**

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Chief Officer: Doug Patterson, Chief Executive

Ward: All Wards

1. Reason for report

- 1.1 This report provides details of the final outturn position for 2014/15 for the Education Portfolio. There was an overall underspend of £246k for the Non-Schools Budget, and an underspend of £940k for the Schools' Budget.
- 1.2 The report also considers the full year effect impact for 2015/16 and requests the creation of an earmarked reserve for DSG redundancy costs.
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2. **RECOMMENDATION(S)**

2.1 **The Schools Forum is requested to:**

- (i) Note the report for information; and,
- (ii) Agree the creation of a DSG Redundancy Reserve of £300k as detailed in paras 3.12 - 3.14.

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

- (i) Consider the 2014/15 outturn position for the Education Portfolio; and,
- (ii) Refer the report to the Portfolio Holder for approval.

2.3 The Portfolio Holder for Education is requested to:

- (i) Endorse the final 2014/15 outturn for the Education Portfolio; and
- (ii) Subject to the approval of Schools Forum, recommend to Executive the creation of a DSG Redundancy Reserve of £300k as detailed in paras 3.12 - 3.14.

Corporate Policy

1. Policy Status: Existing Policy: Sound financial management
 2. BBB Priority: Children and Young People Excellent Council
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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: £13.79m
 5. Source of funding: Existing revenue budgets 2014/15
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Staff

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours:
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Legal

1. Legal Requirement: Statutory Requirement: The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Accounts and Audit Regulations 1996; the Local Government Act 2000 and the Local Government Act 2002 Further Details
 2. Call-in: Applicable:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
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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 final outturn for the Education Portfolio is detailed in Appendix 1, broken down over each service area. Appendix 2 gives explanatory notes on the variations in each service area.

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). Grant conditions requires that any over- or under- spend should be carried forward to the next financial year.
- 3.3 The Schools' Budget has underspent by £940k during 2014/15, which will be added to the £8.95m DSG carried forward from previous years, resulting in a total of £9.89m to carry forward to 2015/16. Much of this carry forward will be spent in 2015/16, with £3m agreed for the refurbishment of Beacon House, £3.5m as a one-off distribution to schools, and £2m used to contain growth over two years. These were agreed by the Portfolio Holder for Education and Schools Forum in January 2015 and the Secretary of State in March 2015 (for Beacon House). A further £300k is requested in paras 3.12 - 3.14 below for the creation of a DSG Redundancy Reserve.
- 3.4 A summary of the main variations is provided in the table below, and further details of the variations can be found within Appendices 2 and 3.

	£'000
One-off expenditure inc. Beacon House	2,845
Bulge classes	680
Schools budget share adjustments/variations	114
Free Early Education	-1,682
SEN Placements	-878
Bad debt provision	-678
DSG allocation adjustments	-650
SEN pre-school/sensory support	-565
SEN Transport	-120
Other net variations	-6
	<u>-940</u>

The Non-Schools' Budget

3.5 The rest of the Education budget within ECHS is classed as Non Schools' Budget, and this has underspent by £246k. A summary of the main variations is provided in the table below, and further details are contained within Appendices 1 and 2.

	£'000
Adult Education	246
Secondary outreach trading account	116
Blenheim & Community Vision	-179
Children's centres	-141
SEN assessment & monitoring	-87
Early Years	-59
School Standards	-31
SEN Transport	-26
Other net variations	-85
	<u>-246</u>

3.6 Costs attributable to individual services have been classified as "controllable" and "non-controllable" in Appendices 1 and 3. 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 in considering financial performance.

Full Year Effect for 2015/16

- 3.7 The full year effect pressure of the outturn variations is £424k. 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.
- 3.8 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 should in part be mitigated by a reduction in staffing costs and running expenses, and the service has made some efficiency savings; however this has not achieved the same level that income has reduced by. The service is currently investigating the potential for further service streamlining/reduction.
- 3.9 These are partly offset by surpluses on the Community Vision and Blenheim nursery trading accounts. The trading accounts aren’t on a full cost recovery basis, so this only covers some of the recharges allocated.
- 3.10 A summary of the full year effects is provided in the table below.

	£'000
Adult Education	246
Education Services Grant	357
Blenheim & Community Vision	-179
	<u>424</u>

Carry forwards to 2015/16

- 3.11 At its meeting on 10th June 2015, Executive approved the carry forward of various underspends from 2014/15 to 2015/16 to be allocated to Central Contingency and drawn down on the approval of the relevant Portfolio Holder. Two grants and two general carry forwards of unspent budget have been carried forward relating to Education Portfolio, and are requested for drawdown in the budget monitoring report elsewhere on the agenda. A summary is provided in the table below.

	£	£
Grants with no explicit right of repayment		
Early Years Grant	18,808	
SEN Preparing for Employment	<u>45,941</u>	
		64,749
Contribution from Government Grants Reserves		-64,749
Other carry forwards		
Review of Place Planning	11,000	
YOT Service Strategic Review	<u>76,500</u>	
		87,500
Total carry forward to 2015/16		<u>87,500</u>

DSG Redundancy Reserve

- 3.12 Members are asked to agree that a provision of £300k be set aside in a new DSG redundancy reserve to meet some of the potential costs that may arise as a result of future reorganisations within DSG funded Education services. This will allow the department to make the most efficient use of DSG funding, which is expected to come under increased pressure in the coming years.
- 3.13 The reserve is to be funded from a contribution from the DSG underspend carried forward from previous years (ref para 3.3), and any amount that remains unspent will be returned to the Schools' Budget.
- 3.14 The reserve will be earmarked for redundancy costs from DSG services only, where the ongoing annual savings exceed the redundancy costs. Use of the reserve will be on the approval of the Assistant Director of Education in consultation with the Portfolio Holder. Any redundancy costs relating to staff part funded by DSG will be split in the same proportion between the DSG redundancy reserve and the council's 'main' (RSG) redundancy reserve.

Assistant Director's Comments

- 3.15 Managers in Education have continued to control their budgets effectively, and in very challenging circumstances. The appendices give further detail of how costs have been contained across the year. Schools continue to benefit from funding changes which will see more money in schools' budgets in the coming year than ever before.
- 3.16 Grant condition changes within Adult Education make it increasingly difficult to manage cost pressures in such a way as to fulfil the grant conditions. A review remains in place to look at the best way forward for this very high quality service, but the nature of our provision may need to change in the coming year to better reflect our local priorities. Market testing did not find any particular solution and officers will need to return to the PDS later in the year with further options for the Portfolio Holder.
- 3.17 The implementation of the SEND reforms continues to go well. However, it is the case that we have high numbers of students with statements and we should see this number decline through the review process as schools accept greater responsibility for meeting individual needs. We also continue to look across to our partners at the CCG to ensure health needs are fully addressed in all new plans and have had some very good support. Nonetheless, Members will want to be aware that several very high cost placements have been required in the latter half of the year, increasing pressures of budgets resulting in a small projected overspend. Management continue to monitor these provisions.

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 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 These are contained within the body of the report with a detailed breakdown of the final outturn by service shown in Appendix 1 including an analysis of the final budget, and explanatory notes in Appendix 2. Appendix 3 shows the split between Schools' Budget and Non-Schools'/Local Authority Budget.

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