

## 2016/17 Outturn and Maintained School Balances.

<b>Schools' Forum Date</b>	21 <sup>st</sup> June 2017
<b>Type of Decision</b>	For decision
<b>Background Documents</b>	Previous year balances report Schools Forum 22 <sup>nd</sup> September 2016 16 <sup>th</sup> March 2017 High Needs Schools Forum report.
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<b>Purpose of Report</b>	To inform Schools Forum on the 2016/17 Outturn Position for DSG and non-DSG and reach agreement on the recommended use of DSG balances.  To update the Forum on the maintained school balances at the end of 2016/17, and to consider whether any claw back should apply.
<b>Key Recommendations</b>	Recommendation 1: That Forum notes the use of the DSG balances at the end of 2016/17.  Recommendation 2: That Forum agrees no claw back should be applied to maintained schools balances at the end of the 2016/17 financial year.
<b>Resource Implications</b>	DSG balances are available for 'one off' use but only on DSG block areas.  If any school balances are clawed back from maintained schools they would have to be allocated through the following years funding formula to maintained schools and academies. This could lock temporary funding into on-going MFG requirements.

### 1. 2016/17 DSG outturn

The 2016/17 DSG outturn position was a net overspend of £1.152m representing 0.28% of the 2016/17 DSG budget.

A further £5.694m of balances were remaining from 2015/16 resulting in the total DSG balances at the end of 2016/17 being £4.542m representing 1.10% of the 2016/17 DSG.

The breakdown between the DSG blocks was as follows:

DSG Blocks	Schools £m	High Needs £m	Early Years £m	Total £m	DSG %
DSG block budgets before recoupment	332.663	53.992	25.760	412.415	100.00%
Outturn net spend including recoupment	332.500	55.997	25.070	413.567	100.28%
2016/17 DSG Outturn	-0.163	2.005	-0.690	1.152	0.28%
Remaining 2015/16 DSG balances				-5.694	-1.38%
DSG balances c/fwd to 2017/18				-4.542	-1.10%

Part of this carry forward figure relates to elements for early years and for maintained schools dedelegated budgets and these elements will be carried forward for use in the same areas.

The £0.69 million early years under-spend in 2016/17 related to lower than expected payments for nursery education and capacity building for 2 year old placements. Part of the carry forward will be used to support further capacity building in 2017/18.

<b><u>Maintained schools dedelegated balances:</u></b>	£
October pupil increases	53,087
Targeted Intervention and Support	55,707
Union Facilities	31,021
2016/17 in year balance only	139,815
Balance b/fwd from 2015/16	226,329
<b><u>Total balances remaining at end of 2016/17</u></b>	<b><u>366,144</u></b>

### High Needs

The level of risk on high needs remains high. The overspends in 2016/17 as shown in **Annex A** have totalled over £2m and there are some clear trends evident that are of major concern in managing high needs over the long term (as detailed in the 16 March 2017 high needs Forum report).

The Forum agreed in March 2016 that £2.3m of the DSG balances could be set aside for a high needs development reserve and in September 2016 agreed that any uncommitted DSG balances should also be held for high needs.

The budget has been agreed for 2017/18 but is clearly not sustainable into the future without some major changes. These issues are considered further under the high needs paper on this agenda.

The DSG balances are therefore planned to be used as follows:

<u>DSG Balances Use:</u>	£m	£m	% of High Needs 2017/18 Budget
Early years nursery education payments	0.690		
Maintained schools de-delegated balances	<u>0.366</u>		
		1.056	
High Needs Development Reserve	2.300		4.0%
Retained for High needs risks	<u>1.186</u>		<u>2.1%</u>
		3.486	6.1%
		<u><u>4.542</u></u>	

### **Recommendation 1**

**That Forum notes the use of the DSG balances at the end of 2016/17**

### **2. Children & Families Summary Outturn Position 2016/17 – Non-DSG**

The outturn position for Children & Families was an over-spend of £3.83 million

Over the last three years there has been a sustained increase in demand for social care including children coming into care and this has caused significant pressures and over-spends within children's services and in particular against the external agency placements (£4.48m) and in-house fostering budgets (£0.6m). The budget for 2017/18 includes funding to develop a project which will look to reduce residential costs by supporting young people to step down to foster care or to return home as well as additional funding to cover the increased volume of placements.

Under-spends which offset the cost pressures include Supporting People, home to school transport, disability services, support to schools and academies and the release of inflation contingencies not required in-year

### **3. Maintained School Balances at the end of the 2016/17 Financial Year.**

The Schools Fair funding scheme allows schools to carry forward, from one financial year to the next, any surplus or shortfall in expenditure, relative to the school's budget share for the year, plus/minus any balance brought forward from the previous year.

Key figures to note about the balances held at the 31st March 2017 are:

- 208 schools are in surplus.
- 15 schools (7 more than last year) are in deficit. All of these are receiving support to draw up and implement recovery plans in line with the deficit process that was agreed by Forum.
- Total Maintained School Balances decreased by £4.14m (17.4%) made up of:
  - Revenue Balance decreases of £3.54m (15.6%)
  - Capital Balance decreases of £0.29m (34.9%)
  - Removal of £0.30m of balances relating to two academy conversions.

A more detailed breakdown across the different sectors is shown below.

**School Balance Movements 2016-2017 (excluding academies)**

**Annex 2**

	31/03/2016	31/03/2017	Change 2016 to 2017	% Change	Incr/Decr
<b>Primary</b>					
Revenue	19,544,781	16,530,117	-3,014,664	-15.4%	Decrease
Capital	661,218	442,371	-218,847	-33.1%	Decrease
<b>Total</b>	<b>20,205,999</b>	<b>16,972,488</b>	<b>-3,233,511</b>	<b>-16.0%</b>	<b>Decrease</b>
<b>Secondary</b>					
Revenue	1,385,005	762,955	-622,050	-44.9%	Decrease
Capital	97,070	72,536	-24,534	-25.3%	Decrease
<b>Total</b>	<b>1,482,075</b>	<b>835,491</b>	<b>-646,585</b>	<b>-43.6%</b>	<b>Decrease</b>
<b>Special</b>					
Revenue	1,424,238	1,451,323	27,085	1.9%	Increase
Capital	33,375	-18,907	-52,282	-156.7%	Decrease
<b>Total</b>	<b>1,457,613</b>	<b>1,432,416</b>	<b>-25,197</b>	<b>-1.7%</b>	<b>Decrease</b>
<b>Alternative Provision</b>					
Revenue	341,393	406,843	65,450	19.2%	Increase
Capital	33,118	40,806	7,688	23.2%	Increase
<b>Total</b>	<b>374,510</b>	<b>447,649</b>	<b>73,138</b>	<b>19.5%</b>	<b>Increase</b>
<b>Total</b>					
Revenue	22,695,416	19,151,237	-3,544,179	-15.6%	Decrease
Capital	824,781	536,805	-287,975	-34.9%	Decrease
<b>Total</b>	<b>23,520,197</b>	<b>19,688,043</b>	<b>-3,832,154</b>	<b>-16.3%</b>	<b>Decrease</b>
<b>Academy in year conversions</b>	<b>303,584</b>	<b>0</b>	<b>-303,584</b>	<b>-100.0%</b>	<b>Decrease</b>
<b>Gross of Academy movements</b>	<b>23,823,781</b>	<b>19,688,043</b>	<b>-4,135,738</b>	<b>-17.4%</b>	<b>Decrease</b>

**Notes:**

1. Schools which closed or converted to academies by 31/03/2017 have been excluded from both the 31/03/2016 and 31/03/2017 figures above to provide a more 'like for like' comparison between years.

2. The reduction in balances due to schools converting to academy status during 2016/2017 is shown separately.

Revenue Balances 31/03/2017 Range					
	Primary	Secondary	Special	Alternative Provision	Overall
Max Balance	395,046	316,230	356,165	161,548	
Min Balance	-129,387	-167,444	24,622	89,980	
Average	80,635	127,159	161,258	135,614	85,880
Previous Year Average	95,340	230,834	158,249	113,798	101,773

Revenue Bal. as % of Individual School Budget (ISB)					
	Primary	Secondary	Special	Alternative Provision	Overall
Highest	34%	6%	14%	29%	34%
Lowest	-19%	-6%	1%	15%	-19%
Average	10%	3%	8%	20%	10%
Previous Year Average	13%	7%	15%	21%	13%

Revenue Balances 31/03/2017					
	Primary	Secondary	Special	Alternative Provision	Overall
Surpluses only total	16,856,835	930,399	1,451,323	406,843	19,645,400
Deficits only total	-326,719	-167,444	0	0	-494,162
	16,530,117	762,955	1,451,323	406,843	19,151,237

Revenue Balances 31/03/2017 by School Numbers					
	Primary	Secondary	Special	Alternative Provision	Overall
Schools	205	6	9	3	223
In Surplus	191	5	9	3	208
In Deficit	14	1	0	0	15

	Revenue Bal. 31/03/2017	
	Schools	Total
Primaries with balance over £50,000	113	15,025,038
Percentage of Primaries net total	55%	91%
Secondaries with balance over £150,000	3	640,490
Percentage of Secondaries net total	50%	84%
Specials with balance over £100,000	6	1,302,397
Percentage of Specials net total	67%	90%
Alternative Provision with balance over £100,000	2	316,863
Percentage of Alternative Provision net total	67%	78%

The DfE have also released a document on [Expenditure by Local Authorities and Schools on Education, Children and Young People's Services in England, 2015-16](#). As this information is one year out of date and does not separately show the impact of changes in balances due to academy conversions it is of limited use. A table on England School Revenue Balances from this document is however shown below for information:

**School Revenue Balances**  
England, 2014-15 and 2015-16

		2014-15	2015-16	Change between 2014-15 and 2015-16
All local authority maintained schools	Average surplus (in each school with a surplus)	£134,000	£141,000	an increase of £7,000
	Average deficit (in each school with a deficit)	£109,000	£120,000	an increase of £12,000
Local authority maintained primary schools	Average surplus (in each school with a surplus)	£109,000	£116,000	an increase of £8,000
	Average deficit (in each school with a deficit)	£35,000	£37,000	an increase of £2,000
Local authority maintained secondary schools	Average surplus (in each school with a surplus)	£378,000	£391,000	an increase of £13,000
	Average deficit (in each school with a deficit)	£326,000	£373,000	an increase of £47,000

Source: CFR Return

All figures in this table are presented in cash terms and have not been adjusted for inflation.

## Claw back

123 mainstream schools (58%) held revenue balances at the end of 2016/17 above the claw back thresholds (5% of ISB Secondary/ 8% of ISB Primary). The excess amount above the thresholds represented £7.1M (41%) of the total £17.3m mainstream revenue balances held. This is a drop of £2.7m (28%) in the amount of excess balances that were held at the end of 2015/16.

Excess funds can however be retained above the thresholds where these have been committed for:

- Creditors/Accruals
- Grants received in advance
- Partnership funds
- Revenue contributions to capital
- Other Exceptional Circumstances

Retaining a claw back facility in LA schemes is optional under DfE guidance. DfE guidance also states that *“any claw back mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy. The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area”*.

The DfE have clarified that if any funds are clawed back from maintained schools these would need to be used for the benefit of maintained schools and academies. It's not permissible to allocate that funding only to maintained schools or to allocate funds mid-year. Any funds clawed back would need to be allocated through the formula in the following year. This could result in a position where some of the clawed back funds have to be reallocated back to the schools it was clawed back from.

At its 24th June 2015 meeting the Forum decided that it would be prudent for a claw back provision to continue to feature in the Scheme for Financing Schools, but that claw back would be instigated in exceptional circumstances only.

It was also agreed that the best method of reviewing excess surplus balances in the future would be for the Council's Deficits Officer Group to contact representatives of the schools holding the largest excessive balances, to identify the reasons behind the surplus and for that group to advise each school on appropriate action to use their surplus where appropriate.

A summary from the Council's Deficits Officer Group on the actions taken is below:

### **Deficit Schools**

Governors Budget Plans for maintained schools in 2016/17 projected a total deficit of £508,068.

The senior officer group which reviews deficits has continued to meet monthly to track progress on deficit reduction. Where particular concerns have been identified, heads and chairs of governors have been invited into Shire Hall for a discussion about the actions which need to be taken.

Only 6 of the 12 schools which projected a deficit position have actually ended the year in a deficit position. The total deficit for these schools is £348,667. However, nine additional schools, which had not projected a deficit at the beginning of the year, ended the year in a deficit position totalling £145,495. Officers have considered each of these schools and are satisfied that these schools will return to a surplus position in the near future.

A number of other schools have submitted governors' budget plans for 2017/18 that show a deficit at year end. We are in the process of clarifying the position for these schools, and challenging where necessary.

<u>Revenue Deficits</u>	<u>End of 2016/17</u>		<u>End of 2015/16</u>	
	<u>Schools</u>	<u>Total</u>	<u>Schools</u>	<u>Total</u>
Less than £10,000	5	£22,580	5	£31,417
£10,000 - £19,999	5	£80,930	1	£16,549
£20,000-£29,999	1	£27,170	3	£71,904
£30,000 - £39,999	2	£66,651	0	£0
£40,000 - £49,999	0	£0	0	£0
£50,000 -£99,999	0	£0	0	£0
£100,000 - £150,000	1	£129,387	0	£0
£150,000 - £200,000	1	£167,444	0	£0
<b>Total Deficits</b>	<b>15</b>	<b>£494,162</b>	<b>9</b>	<b>£119,870</b>

### **Schools with large surplus balances**

The top 10 maintained schools with the largest surplus balances at the end of 31<sup>st</sup> March 2016 were asked to provide a detailed breakdown of the surpluses and their proposals for the use of that surplus in the future. The responses were considered by the Council's Deficits Officer Group. The Headteacher and Chair of Governors of the school with the highest surplus attended a meeting with LA officers to discuss the school's financial position and identify priorities for the future. We are pleased to report that as a result of the meeting between the management of Tuffley Primary with LA officers, the surplus balance has been reduced by 32% by the end of 2016/17. The remaining surplus is budgeted to be reduced by further 60% during 2017/18.

The senior officer group has reviewed all maintained schools holding surplus balances relating to the financial year 2016/17. Schools with the largest balances were identified and asked to provide the reasons for their surplus and their plans for future expenditure.

The balance carried forward by the school with the largest surplus is made up from a combination of grants and savings. These savings are generated due the resource sharing across the federation which the school is part of. The school has submitted a budget plan for 2017/18 which will allow for further intervention work with pupils to raise standards and reduce the balance by 50% by the end of 2017/18 financial year. The senior officer group will review the plans provided and will continue to monitor the schools to ensure planned expenditure takes place as identified in their submission.

### **Recommendation 2 on school balances**

**That Forum agrees no claw back should be applied to maintained schools balances at the end of the 2016/17 financial year.**



## Annex A

Descriptions	High Needs Block Outturn 2016/17				
	Original Budget	Virements	Revised Budget (Gross of Recoupment)	Outturn	Variance
	£	£	£	£	£
Individual learner costs-Early Years	540,110	100,000	640,110	600,831	-39,279
Individual learner costs-Hospital	1,409,359	0	1,409,359	1,743,036	333,677
Individual learner costs-Independent Special Schools	7,199,691	0	7,199,691	8,189,816	990,125
Individual learner costs-Pre 16 College Courses	549,883	0	549,883	550,000	117
Individual learner costs-Recoupment Income for other LAs & transfer of this to GCC schools	0	0	0	351,933	351,933
Individual learner Costs-Topups Alternative Provision	1,132,279	200,000	1,332,279	1,550,906	218,627
Individual learner Costs-Topups Colleges	4,144,369	0	4,144,369	4,171,520	27,151
Individual learner Costs-Topups GCC Mainstream in other LA Schools	591,600	0	591,600	385,894	-205,706
Individual learner Costs-Topups Mainstream-Primary	4,648,468	0	4,648,468	4,998,586	350,118
Individual learner Costs-Topups Mainstream-Secondary	4,008,069	0	4,008,069	4,172,434	164,365
Individual learner Costs-Topups Special Centres-Primary	194,640	0	194,640	172,030	-22,610
Individual learner Costs-Topups Special Centres-Secondary	58,000	0	58,000	29,000	-29,000
Individual learner Costs-Topups Special Schools	9,943,341	0	9,943,341	9,904,475	-38,866
Place costs-Alternate Provision Places	2,560,000	-254,167	2,305,833	2,305,841	8
Place costs-Post 16 HN in Mainstream element 2	66,000	0	66,000	147,073	81,073
Place costs-Special Centre Places-Primary	600,000	0	600,000	600,000	0
Place costs-Special Centre Places-Secondary	100,000	0	100,000	100,000	0
Place costs-Special School Places	10,890,000	0	10,890,000	11,168,750	278,750
Safeguarding High Needs	52,000	0	52,000	52,000	0
Support Costs-Advisory Teaching Service	1,499,587	100,000	1,599,587	1,687,764	88,177
Support Costs-Excluded Pupil Income for GCC element	-150,000	0	-150,000	-444,268	-294,268
Support Costs-Other specialist provision e.g. ABA	107,650	0	107,650	3,717	-103,933
Support Costs-SEN Development Plan & Projects	402,002	0	402,002	407,662	5,660
Support Costs-SEN Reorganisation Support Fund	115,872	0	115,872	364,000	248,128
Support Costs-Special Equipment	61,200	0	61,200	54,351	-6,849
Support Costs-Support Costs (including Overheads)	1,111,113	0	1,111,113	1,058,279	-52,834
Support Costs-Therapy Support	258,093	0	258,093	234,736	-23,357
Support Costs-Virtual School	601,417	9,000	610,417	625,333	14,916
Support Costs-Vulnerable children's service/EEI/Targeted School Improvement	858,380	-9,000	849,380	805,023	-44,357
Unallocated High Needs DSG	438,647	-145,833	292,814	6,716	-286,098
<b>High Needs Block Total</b>	<b>53,991,770</b>	<b>0</b>	<b>53,991,770</b>	<b>55,997,438</b>	<b>2,005,668</b>

## **Extract from the Revenue Outturn Report for 2016/17 presented to Cabinet on 19<sup>th</sup> June 2017**

### **Children and Families Outturn**

The outturn position for Children & Families is a £3.83 million overspend.

Over the last three years there has been a sustained increase in demand for social care including children coming into care (March 2017 613 cases compared to April 2014 479). This has caused significant pressures within children's services and in particular against the external agency placement and fostering allowances budgets resulting in the overspend. Senior managers have been reviewing all admissions to care as part of a process of understanding and challenging practice. In addition robust scrutiny of high cost placements have been carried out by senior managers to ensure appropriate provision has been in place but the underlying issue has been the volume of placements required. The financial recovery plan has been reviewed and updated throughout 2016/17 to mitigate the volume increases wherever possible.

The major variances for non-DSG, with summary explanations, are as follows:

The external placement budget is £4.48 million overspent (47.9% above budget). The volume and cost of placements for both residential and fostering has caused the budget to overspend with the demand for complex cases requiring specialist placements, supported living and support packages arrangements remaining constant. The budget for 2017/18 includes funding to develop a project which will look to reduce residential costs by supporting young people to step down to foster care or to return home as well as additional funding to cover the increased volume of placements.

In-house fostering services are overspent by £0.6 million due to costs of additional allowances relating to the volume of placements. Special guardianship allowances are also over-spent by £0.25 million due to the increased number of orders which have been made. There is an in-year pressure in SEN services due to casework team demands and responding to increased activity in high needs cases (£0.7 million).

Safeguarding staff budgets received £2 million investment in 2016/17. Social workers have been recruited to fill the additional posts but agency staff were employed to provide experience where there are newly qualified workers or where caseloads remained high. The staffing budgets are £0.23 million overspent due to agency staff usage while the new structure embeds. A further investment of £1.7 million is included in 2017/18 for the second phase of the investment in social workers.

Section 17 and discretionary payments for children in care are over-spent by £0.55 million (121.7% of the budget). Changes in practice have been introduced replacing the use of ad hoc arrangements with a more coherent commissioning framework. Over time this should reduce some of the financial pressures in this area.

Underspends to offset the cost pressures include Supporting People and welfare reform support of £0.63 million due to additional savings being achieved above target, the release of inflation and activity contingencies (£1.15 million) not required in-year and home to school transport and access budgets of £0.73 million due to staff vacancies and lower commitments against transport contracts. Other underspends include support to schools and academies of £0.19 million due to staff vacancies and disability services of £0.17 million, due to lower costs against residential units, contracts and care packages.