

SCHOOLS BUDGET 2006/07 – REVENUE MONITOR REPORT

Report of the Director of Children Schools and Families

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1. Purpose of Report

- 1.1 To inform members of the final outturn for Revenue and Capital Budgets in respect of 2006/07.

2. Background

- 2.1 In the context of the new arrangements for the Schools Budget, including the decision making powers of the Schools Forum, it was agreed at the meeting of the Forum on 6 December 2006 that a budget monitoring report would be provided on a quarterly basis. This report covers the reporting position to the end of the financial year.

3. Summary

- 3.1 The Schools Budget figure (excluding FRS17 and capital charges) was £565.328m, before application of the DSG. The final outturn position for 2006/07 shows a revenue underspend of £2.599m (0.4%) against the gross budget of £565.328m.
- 3.2 The principal reasons for the variation in the forecast revenue outturn are listed in Table 2 (Para 4.2), whilst a summary analysis is shown in Table 1.

4. Revenue Budget Variances

- 4.1 Table 1 details the composition of the variance of £2.599m against the Schools Budget.

Table 1 : Details of the variance against the Schools Budget.

Description	Overspends	Planned Underspends	Unplanned Underspends	Net Variances	Movement in month
	£'000	£'000	£'000	£'000	£'000
Schools Budget	2,372	(107)	(4,864)	(2,599)	(966)

4.2 Table 2 details the significant areas of under/overspend.

Service	Description	Para Ref.	Previously reported position £'000	Movement £'000	Forecast Over/ (Underspend) £000	% of Budgets
CSF Learning & Schools Effectiveness	SEN Recoupment & Additional Welfare and Tuition	4.2.1	(650)	(66)	(716)	(10.8%)
	Home & Hospital Education	4.2.2	(120)	(38)	(158)	(29.9%)
	Units & Bases	4.2.3	(250)	(2)	(252)	(12.4%)
	Earmarked Pupil Funding	4.2.4	115	1	116	45.2%
	Independent (Out County) Placements (Education)	4.2.5	994	61	1,055	10.0%
	Special Advisory Service / SEN Equipment	4.2.6			(66)	(66)
CSF Strategy & Resources	Teachers Reform Grant	4.2.7	(600)	(218)	(818)	(6.2%)
	Nursery Provision	4.2.8	(1,831)	3	(1,828)	14.2%
	Dedicated Schools Grant	4.2.9	(193)	(10)	(203)	(0.04%)
	School Rates	4.2.10	(135)	20	(115)	(806%)
	Schools Contingency	4.2.11	(400)	(43)	(443)	0.6%
	Maternity	4.2.12	464	23	487	38.9%
	Speech Therapy	4.2.13	(107)	27	(80)	(5.7%)
	Schools Payroll	4.2.14	500	0	500	
Variances under £50,000					(78)	
Total		4.2.15			(2,599)	

4.2 Significant variations in Schools Budget

4.2.1 SEN Recoupment & Additional Welfare and Tuition £716,000 or 10.8% underspend

Inter-authority recoupment operates in arrears. At the end of each financial year income and expenditure for that financial year is estimated and accrued. This means that during 2006/07 financial year claims are sent and received by authorities for the financial year 2005/06.

The forecasts for 2005/06 expenditure and income, as a result of updated information of claims received from other authorities to date and more up to date income data, have been revised. There has been less expenditure and more income for 2005/06 than accrued at the end of the last financial year. This is the reason for the one-off underspend currently showing in 2006/07.

In addition the underspend has further increased due to:

- children, supported by this budget, leaving school earlier than expected
- increased income from other authorities' children receiving speech and language therapy support in Hertfordshire schools
- expenditure on placements of Hertfordshire children being lower than expected or where a reduced rate is negotiated.

4.2.2 Home & Hospital Education - £158,000 or 29.9% underspend

Improved management processes have delivered savings by :

- ensuring consistency across the county
- increasing challenge to imprecise medical evidence
- ensuring regular and increased review of cases
- increasing involvement of schools with pupils
- and providing a focus on reintegration providing support and training to staff to help with this process.

4.2.3 Units & Bases - £252,000 or 12.4% underspend

A provision of £200,000 was included in this budget in 2006/07 for the otherwise unfunded element of the cost of teachers on the upper pay scale in special needs units and bases. This was to prevent schools which host specialist SEN facilities, which benefit the wider community of schools, from having to top up the funding for the SEN unit/base from their main budget share.

Allocations for this budget provision totalling £20,000 have been made to schools with Primary Support Bases (PSBs). These bases support outreach to other schools as well as providing for pupils on roll at the base. The remaining £180,000 for other special units is not required for 2006/07.

The balance of the underspend relates to lower than expected expenditure on Specific Learning Difficulties Bases.

4.2.4 Earmarked Pupil Funding (EPF) - £116,000 or 45.2% overspend

The overspend in EPF is due to an increased number of allocations to pupils meeting the criteria. Although the percentage of agreed applications has remained the same the total number of applications from schools has increased. This increased perception of need from schools is not out of line with the national picture of increasing pressures on SEN budgets that are heavily centralised and primarily targeted to individual pupils. Like many other authorities Hertfordshire is changing its SEN funding arrangements in mainstream schools to try to address this and other issues.

4.2.5 Out County placements (Education) - £1.055m or 10% overspend

The overspend relates to Education Independent placements. This is an extremely volatile demand led budget where the impact on an additional placement can create an average annual commitment to the budget of £50,000 per annum (£1,300 per week).

All cases are currently being reviewed in order to reduce pressure on the budget for 2007/08 and in addition we are working closely with our commissioning teams at both a local and regional level to manage contract and fee increases in future years.

4.2.6 Specialist Advisory Service / SEN Equipment - £66,000 or 3.7% underspend

Staff vacancies resulting from recruitment difficulties and delays in delivery of specialist equipment, ordered in February and March, have resulted in this underspend.

4.2.7 Teachers Reform Grant - £818,000 or 6.2% underspend

This budget provides funding to schools to cover the cost of the first point on the teachers' upper pay scale plus a contribution towards the cost of the second point (UPS2). During the autumn term the annual funding for UPS2 was distributed to schools. Given the uncertainty around back claims as well as funding for supply teachers and teachers on maternity, a prudent approach was adopted and the funding level for UPS2 was set at 90% of costs for 2006/07. This is higher than the 80% rate of funding paid in 2005-06 but ensured that a contingency was contained within this budget. This contingency was not required in 2006/07

Threshold funding for supply teachers, relating to the period September 2006 to March 2007, and for teachers on maternity leave in 2006/07,

will not be paid until the Summer Term 2007. The estimated funding for these commitments, which is £200,000, is therefore included in the underspend, increasing it from the £600,000 previously reported. The £200,000 will need to be earmarked in 2007/08 for the outstanding supply and maternity payments.

4.2.8 Nursery Provision - £1.828m or 14.2% underspend

This budget funds nursery education places in private and voluntary providers. The level of take up is a product of parental decisions over where to place children and whether or not to take up the full entitlement. Recent extensions in entitlement have the potential to impact on parental decisions over placing children, creating extra uncertainty in the monitoring of this budget.

There are three elements to the current underspend .

1. Provision for an increased participation rate £1.0m

This resource was set aside to fund the risk of an increase for Hertfordshire in line with DfES predictions.

2. Pupil Numbers £0.2m

Participation rates for younger 3's are relatively lower than provided for in the summer and autumn terms.

3. Impact of Increase to 38 funded weeks £0.6m

Not all the additional funding for the move to 38 weeks provision has been required. This is partly because the moved by nurseries increase the number of weeks (from 33 to 38), has been slower than anticipated.

4.2.9 Dedicated Schools Grant - £203,000 or 0.04% underspend

Following a correction to its pupil number data, the DfES has increased Hertfordshire's DSG by £193k over and above the predicted level published in the section 52 budget statement. In addition, there was a £10k increase in the contribution from the Yavneh College promoters.

In line with the new school funding arrangements the authority discussed the final DSG notifications with the Schools Forum (in September 2006).

4.2.10 School Rates - £115,000 or 806% underspend

This underspend relates to changes in the rateable value of St Lukes special school.

4.2.11 Schools Contingency - £443,000 or 0.6% underspend

This budget provides support for school facing particular financial difficulties. The number of schools requiring financial support in 2006/07 was lower than was originally anticipated.

4.2.12 Maternity - £487,000 or 38.9% overspend

There has been an increase in both volume and average pay for maternity claims from schools which resulted in an overspend of £487,000. This demand led budget is extremely volatile and relies on prompt notification from schools of planned maternity leave.

There have been significant increases in Teachers pay-scales since 1999. Additionally the introduction of the Upper Pay Scale, Advanced Teachers and Assistant head-Teachers has accelerated progression of teachers on their respective pay-scale. Development of policies by Central Government has made extended maternity leave more attractive, along with the protection afforded to teachers wishing to return on a part time basis.

The council now employs 7.5% more teachers (9,753 fte) than in 1999 (9,073 fte).

Greater awareness amongst schools with payroll arrangements outside of the authority has increased the number of claims. The total number of claims has increased by 149 (46%) since 2002/03 – with a continuing increased trend.

4.2.13 Speech Therapy - £80,000 or 5.7% underspend

This service is provided under contract from the Hertfordshire Partnership Trust in the west of the county and the North Herts and Stevenage PCT in the east of the county. The underspend results from a new model of service delivery which was implemented in April 2006 as a result of a review by CSF of contract arrangements for the provision of the service.

4.2.14 Schools Payroll - £500,000 overspend

There are a number of elements that contribute to the current overspend:

- Volume increases in the numbers of staff within schools which have not been reflected in the recovery of costs
- Ongoing subsidy of costs by the authority
- Attributable cost which were not previously charged against the schools payroll service.

This totals £500,000 in the current year. The Forum has agreed at the December 2006 meeting for the Schools Budget to be re-determined in 2006/07 to allow these costs to be recovered from schools. The new pricing policy will ensure that full recovery is achieved in subsequent years.

4.2.15 Dedicated Schools Grant – transfer to Schools Budget Reserves

The underspend of £2.599m on the Schools Budget is ring-fenced. This underspend is against the 2006/07 central expenditure within the Schools Budget. This will be used to finance the authority's Schools Budget in future years, in line with the requirements of the grant. There are a number of key risks against the Schools Budget for 2007/08, in particular Early Years Provision and Independent (Out County) placements.

The spring term 2007 pupil counts show an increase in the number of 3-year olds participating in Early Years provision to 90% of the population, from 85% in the spring 2006. The Schools Forum agreed at its meeting in January 2007 to earmark £1m of the carry forward against this risk.

There is also risk of a continuing overspend (£1.1m in 2006/07) against the provision for independent placements. Whilst there is ongoing work to review cases in order to reduce this risk, this is an extremely volatile budget where the impact of an additional placement can create an average annual commitment of £50,000 p.a. It would therefore be prudent to include provision within the Schools Budget against this risk.

In addition, a provision of £200k is required to meet the costs of threshold funding for supply teachers for the period September 2006 to March 2007.

5. Conclusion

Members of the Forum are asked to consider the report.