

# DARLINGTON SCHOOLS FORUM

29<sup>th</sup> April 2014

ITEM NO 6

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## BUDGET UPDATE 2013/14

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### Purpose of Report

1. To update the Schools Forum regarding the use of the Dedicated Schools Grant (DSG) budget in 2013/14.

### Background

2. Schools Forum was notified at their January meeting that there was a projected underspend of approximately £1,339,399 on the budget in 2013/14. This underspend had arisen mainly from unallocated carried forward budget from 2012/13, savings within the high needs block and unused contingencies.
3. Forum were notified that this projected underspend assumed that the £500,000 of budget that had been converted into capital budget for the provision of additional two year old nursery placements had been fully spent. In addition it was also assumed that the budget allocated to school transport (£140,000) had been fully spent as Forum had already approved any underspend in this budget would be carried forward into 2014/15 for the same purpose.
4. Forum approved at their January meeting to repay early the future years PFI reserve commitment, this reduced the projected underspend by £197,692, to £1,141,707.

### Expenditure to date

5. Appendix one shows the provisional year end budget position. The following paragraphs provide additional detail for Forum members' attention.
6. It is projected that the budget will be underspend of approximately £1,390,000 this is an increase of approximately £249,000 on the figure reported to Forum in January.
7. Forum members should note that at the time of writing there has been no actual spend against the £500,000 capital allocation for additional two year old places, as the projects to deliver the additional capacity are in the process of being finalised. This capital budget will therefore be rolled over into 2014/15.
8. The main changes from those projected position in January are detailed in the following paragraphs.
9. The school nursery budget was underspent by an additional £32,000 due to a lower number of actual hours paid in the spring term. The indicative budget projected approximately 10,000 hours more than actually used in the spring term.

10. The budget for Individual Learning Support was underspent by approximately £51,000 less than projected. This arose as a large number of payments were made in the spring term for newly statemented children. In addition a number of payments required back dating where the statement process had been undertaken in the previous two terms.
11. The Pupil Referral Unit top ups were approximately £49,000 less than projected due to a lower occupancy than capacity in the autumn and spring terms.
12. The pre 16 Beaumont Hill Academy top ups were approximately £26,000 less than projected due to including some post 16 places for the summer term 13 against the pre 16 budget.
13. Mount Pleasant top ups were approximately £11,000 more than projected, due to additional placements.
14. The expenditure for post 16 top ups was approximately £145,000 less than projected, resulting from on-going lower placement costs and numbers of places.
15. The Home and Hospital service currently has approximately £27,000 of budget unspent, there are additional payments to make from this, but in addition there are a number of outstanding commitments regarding the move of the service to Rise Carr. It is therefore requested that any unspent funding be rolled forward for these commitments and hence the budget is shown as on target.
16. The Admissions service was underspent by £17,000 resulting from staff savings and savings on professional fees.
17. The SEN placement budget is expected to be further overspent by approximately £65,000 due to additional placements and changes in the costs of specialist placements.
18. The PVI nursery 3 & 4 year old budget was approximately £10,000 less underspend as a result of more hours being paid for the spring term than projected.
19. As Forum members will be aware the DSG included over £1.1 million for the new two year old nursery placements. This was based on 288 places being occupied all year and also with trajectory funding to increase capacity. As previously notified to Forum the numbers of children taking up places in Darlington was well below the 288 target therefore the budget was projected to be underspent. £500,000 of this underspend has already been moved into capital (where there was insufficient funding) to assist with the creation of places, however even after removing this funding the budget was underspent by approximately £129,000. This is more £101,000 more than projected in January as the number of children in places did not increase in the spring term by the numbers estimated.
20. The Private Finance Initiative is projected to be £30,000 less overspent than previously reported. This has arisen due to lower utility costs.

## Use of underspend

21. It should be noted that the figures included in the attached table are indicative and will not be finalised until the Councils accounts are closed in May. Forum will be notified of the final figures at their meeting in June, however it is the case that there will be significant underspend that will be rolled forward into 2014/15.
22. Forum has already made a number of decisions to allocate 2013/14 underspend to projects in 2014/15, the table below gives the estimated budget that will be remaining unallocated.

	£'000
Estimated Underspend	1,390
Underspend on Pre-commitments	
Transport	67
2 Year old nursery capital	500
Total Underspend	1,957
Pre commitments	
School Forum post	45
LAPP	75
Licenses (see agenda item 5)	22
Transport	67
2 year old nursery capital	500
Total Commitments	709
Budget remaining	1,248

23. It is estimated therefore that there will be approximately £1.25 million unallocated in 2014/15. Whilst it is prudent to hold onto some of this funding as a contingency it is not expected that this need to be more than say £250,000 based on spend over the last few years. This would therefore leave approximately £1 million unallocated.
24. Forum were notified at their previous two meetings that there would be significant underspend and that thought should be given to how this funding is used. When setting the schools budget shares for 2014/15 in line with the EFA guidance, it was considered to allocate underspend through the formula, however this was not progressed as this would have caused a number of issues.
25. Firstly by allocating the underspend through the funding formula this would increase schools budgets by a large amount, however as this funding is one off, it would need to be extracted from budget shares in 2015/16. However this may not necessarily be possible as all schools base budgets would be artificially higher for 2015/16, based on their 2014/15 value. This would mean that the MFG for all schools would be higher, which may make the 2015/16 budget unaffordable. (i.e. In 2015/16 based on an MFG of -1.5% budgets would only be able to fall by 1.5%, however due to the one off windfall, the 15/16 budget would need to decrease by more than 1.5% to balance the budget).

26. Secondly, as a number of schools were already receiving MFG protection, those schools would have received no part of the underspend through the funding formula (as they were already protected). This would have meant a significant part of the underspend would have gone to schools that already gained through the formula.
27. Thirdly, the funding formula only covered school places at reception and above.
28. Whilst it is for Forum to decide the use of the overspend, the following proposed use is requested to be considered
  - a. That £250,000 is held for contingencies in all budget areas and for possible future 2014/15 funding requests to Forum.
  - b. That the underspend (currently estimated at £196,000) in 3&4 year old nursery budgets be allocated to all providers on a per child basis based on the number of children at the last January census.
  - c. That the (current estimated £129,000) underspend on two year old nursery places is ring fenced to two year old provision, to fund additional capacity building requirements or to contribute towards any change to hourly rates.
  - d. That the remaining balance be allocated to all schools on the Darlington funding formula at the same rate per pupil based on the number of pupils in the funding formula for 2014/15 i.e. the October 13 census.
29. Although the above is assumed to be allowable within the terms of the DSG funding, it is suggested that before any payments are made to schools and nurseries out of the underspend that the proposal is checked out with the EFA. This will ensure that the proposal is lawful and will not require any recovery in the future.
30. It is proposed that following discussion at this meeting that final proposals will be brought to the June Forum for agreement, at which time the actual value of the 2013/14 carry forward will be known.

### **Recommendations**

31. That Forum notes the content of the report and consider how any underspend be allocated.
32. That Forum approves the carry forward of any underspend in the Home & Hospital budget for on-going commitments.
33. That Forum agree to contact being made with the EFA to ensure that any proposals are acceptable within the terms of the funding
34. That final proposals be brought back to June Forum for agreement

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