

## FINANCE UPDATE

### REPORT OF THE COUNTY TREASURER AND CHIEF OFFICER FOR CHILDREN'S SERVICES

#### Recommendations

It is recommended that DEF:

- a) Notes month 10 DSG monitoring position as set out in section 1  
**All to note**
- b) Approves Option 1 and the carry forward of the Central Expenditure deficit to 2017/18.  
**All to vote**
- c) Notes the guidance and funding of the Education Services Grant as set out in section 2  
**All to note**

## 1. Budget Monitoring Report – Month 10 (2016/17) - DSG

1.1 The Month 10 forecast for the DSG is an overspend of £353,000. This is made up of £1.6 millions underspend on Schools Block and a £2 millions overspend on costs which is subject to approval to be carry forward. DEF and Cabinet have approved the £29.13 millions in carry forward from 2015/16 (£21.2 millions of which is schools balances) and has been included as budget for 2016/17.

**Table 1: Summary of Month 10 forecast position and major variations:**

Education and Learning (DSG)							
	Final Approved Net Budget £'000	Mth 10 Net Spend £'000	Forecast at Mth 10 £'000	Variance before MA £'000	Mgt Action £'000	Variance after MA £'000	Movement from previous month £'000
Schools delegated budget	260,956	204,602	260,952	(4)		(4)	0
DSG and School funding	(334,617)	(268,981)	(334,721)	(104)		(104)	(392)
De-delegated budgets	5,812	3,385	4,311	(1,501)		(1,501)	(533)
<b>Total DSG/delegated budgets</b>	<b>(67,849)</b>	<b>(60,994)</b>	<b>(69,458)</b>	<b>(1,609)</b>	<b>0</b>	<b>(1,609)</b>	<b>(925)</b>
Central Provision within Schools Budget	6,435	1,234	4,266	(2,169)		(2,169)	28
High Needs Funding	60,730	53,054	65,401	4,671		4,671	71
Early Years & Childcare Services	29,810	23,638	29,270	(540)		(540)	257
<b>Total DSG central budgets</b>	<b>96,975</b>	<b>77,926</b>	<b>98,937</b>	<b>1,962</b>	<b>0</b>	<b>1,962</b>	<b>356</b>
<b>Overall Net DSG budget</b>	<b>29,126</b>	<b>16,932</b>	<b>29,479</b>	<b>353</b>	<b>0</b>	<b>353</b>	<b>(569)</b>

## 1.2 Schools and de-delegated budgets

The underspend has increased since month 9 by £925,000 due to a review of Schools Contingency which after consideration of future commitments in the coming financial years has seen a reduction to in year spend of £573,000. Along with an increase to 2 year old funding of £392,000 based on Spring 2017 where eligible children have gone from 965 pupils to 1111. This is offset in part by an increase in demand on Maternity of £40,000.

### 1.3 Central Provision within Schools

The issue of providing revenue funding for “basic need” growth and diseconomy costs of new schools is well rehearsed. There was a £2.2 millions underspend brought forward from 2015/16 and current forecasts shows a need to carry forward £1.87 millions to 2017/18 specifically for growth.

The remaining central provision budgets are currently projecting an underspend of £302,000, of which £156,000 relates to MFEP funding now sitting under the Central block (previously reported under High Needs)’

### 1.4 Early Years

The projected underspend across the service is made up from £450,000 due to unallocated budget (savings) against 3 & 4 year old provider payments.

Early Years has seen adverse movement from month 9 of £257,000, which is a reflection on the increased take up for the Autumn term and forecast for Spring. The DSG income budget has also been increased to reflect this change.

### 1.5 High Needs

**Table 2: Summary of High Needs budgets and forecast position as at Month 10**

Activity Description	Base budget 2016/17 after recoupment	C/fwd from 15/16	Revised Net budget at month 10	Forecast spend at outturn	Current Month Variance	Movement from Previous Month
Alternative Provision incl Hospital school	2,042	130	2,172	2,600	428	(100)
LDP Inclusion & Safeguarding	3,267	7	3,274	3,180	(94)	0
Nursery Plus	1,164	15	1,179	1,163	(16)	0
SEN Mainstream	11,383	892	12,275	11,840	(435)	(12)
SEN Services	1,219	0	1,219	1,219	0	0
Independent Sp.Schools & Recoupment	12,343	0	12,343	15,896	3,553	210
Maintained Special Schools	23,432	1,897	25,329	26,441	1,112	16
Early Help	236	231	467	423	(44)	(44)
Support Centress and PSPs	2,172	300	2,472	2,639	167	1
<b>TOTAL</b>	<b>57,258</b>	<b>3,472</b>	<b>60,730</b>	<b>65,401</b>	<b>4,671</b>	<b>71</b>

Table 2 shows the High Needs budget is currently forecasting to over spend at year end by £4.67 millions for 2016/17.

Despite management action of £1.9m (included in forecasts above), the growing demand on services continues to exceed the funding allocated. The main factors behind the increased costs are:

- High cost placements in the independent sector
- Expansion of the Maintained Special schools to meet demand
- Increasing costs and numbers of personalised education packages, EHCPs and MyPlans
- Increased exclusions
- Demand for Medical AP and independent hospital placemen

### 1.6 Closedown

The closedown timetable (Appendix A) has now been produced and as last year the timescales are very tight due to how Easter Holidays fall. It is important to ensure that all accruals and other year end actions are completed by the 31<sup>st</sup> March 2017.

## 1.7 Recommendation

Schools Forum is asked to note the update as set out in section 1 above

**All to note**

## 2. Carry Forward from 2016/17

In previous years, a decision by DEF has not been needed as the Central Expenditure element has been in overall surplus. Carry forward decisions are not normally dealt with until June but in this instance it was felt appropriate to seek an early decision.

The figures in table 2 show the expected High Needs Block overspend at £4.67m. The carry forward of such a deficit in the Central Expenditure element of DSG can be proposed by the Local Authority and decided by the Schools Forum. If it is not approved it may be adjudicated by the Secretary of State.

### Option 1: Approve Carry Forward

The expected High Needs Block overspend at outturn of £4.67 millions will be partly offset at year end by the forecast underspends in Early Years and Central Provision (excluding Growth c/fwd of £1.87 millions), giving a net deficit budget carry forward of £3.8 millions into 2017/18, where there is now a plan to 'pay-off' the debt within the next two financial years.

### Option 2: Decline Carry Forward

If approval were declined by Schools Forum the LA would seek adjudication by the Secretary of State. If the Secretary of State did not overrule the decision, the balance would have to be taken in the Council's revenue outturn position for 2016/17.

If this were to happen it is very likely that the Council would have little option but to offset all underspends in the Central Provision including the Growth Fund underspend to reduce the overall net deficit. This would impact on the programme for the 2017/18 Growth Fund and would need to be resolved in next year and future years; as already referred to above there is currently a plan to carry forward £1.87 millions of the underspend to fund growth commitments in 2017/18 and beyond.

## 2.1 Recommendation

Schools Forum is asked to approve Option 1 and the carry forward of the Central Expenditure deficit to 17/18.

**All to vote**

## 3. Education Services Grant.

### 3.1 Introduction

In the 2015 spending review, savings of £600 millions nationally from the ESG general funding rate by 2019-20 were announced. This will now be removed in one stage, from September 2017 with the local authority receiving transitional ESG funding from April – August 2017.

Up until 2017-18, the ESG retained duties rate (£16.33 per pupil) was given direct to the local authority to fund services they provide to all schools, including academies. From 2017-18, the general duties rate is ending and funding previously allocated through the ESG retained duties rate will be transferred into the schools block. This is new money to the DSG but not new money to the local authority as a whole to support Education.

### 3.2 ESG Transitional Funding

The ESG transitional grant funding rate for local authorities for the period April to August 2017 will be 5/12ths of the financial year and given direct to the Authority. This brings the funding period in line with that of the Academies and Free Schools.

### **3.3 ESG Retained Duties**

From 2017-18 funding previously allocated for ESG retained duties (equivalent to £16.33 per pupil) will be included within the schools block. DCC had planned to retain the per pupil rate from all schools to cover the statutory duties by the local authority. A breakdown of these duties are covered are in Appendix B.

The new arrangements stated within the Schools Revenue Funding 2017-18 guidance meant that Schools Forum needed to approve the retention of the new schools block funding for these duties funded by ESG Retained duties rate. This was duly discussed at the meeting on 16 January 2017.

### **3.4 Decision and Outcome**

Schools Forum did not approve the retention of the ESG Retained Duties Funding which meant that Devon applied to the Secretary of State for her adjudication.

On the 14 February 2017 the authority received the Secretary of State's adjudication to uphold the dis-application request for the authority to receive the ESG funding of £1.46 million for 2017/18 for retained duties.

### **3.5 Recommendation**

Schools Forum is asked to note the update as set out in section 3 above

**All to note**

MARY DAVIS  
County Treasurer

JO OLSSON  
Chief Officer for Children's Services

Please ask for: Julian Dinnicombe  
[Julian.dinnicombe@devon.gov.uk](mailto:Julian.dinnicombe@devon.gov.uk)

<b>TASKS AND DEADLINES 2016-17</b>		
FIRST DATE	LAST DATE	ACTION REQUIRED BY SCHOOL
01Apr	17 Apr	<b>SCHOOL EASTER HOLIDAYS</b> - Tasks during this period are shaded
		<a href="#">Undertake the housekeeping in SIMS</a>
01 Mar	03 Mar	<b>Printouts</b> - Submission of <a href="#">Printout Queries</a> for Period 11
	03 Mar	<b>Supply</b> - Last day for supply upload for February
01 Mar	10 Mar	<b>Mutual Fund</b> - Submission of claims to end February 2017
	10 Mar	<b>LPS</b> - Last day to raise debtor invoices to <b>LPS schools only</b> . Should you miss this deadline, you will need to raise the invoice in the new financial year. <b>No maintained school whether LPS or central payment can raise year end debtors or creditors against another DCC maintained school.</b>
	10 Mar	<b>Capital</b> - Schools with previous years spending on intangible Assets (C701 & C702) need to confirm that they have not been impaired during the year and that they still exist.
	14 Mar	<b>C£ASS</b> - Last C£ASS run in March <b>LPS Schools</b> - Final run before Year End returns are issued
	16 Mar	<b>Invoices</b> - Last date for CT10/3 s to reach Revenue section for processing into Period 12 (including internal invoice requests) ( <a href="#">Go to Debtors</a> )
	17 Mar	<b>Banking</b> - Last date for banking cash income to appear in Month 12 including giving money to G4S. Clear any remaining cash to bank. Last cash collections for old year
	17 Mar	<b>Capital</b> – supply Schools Leasing Review to <a href="#">Capital Team</a>
01 Mar	21 Mar	<b>EOY Accruals</b> - Deadline for First submission of the <a href="#">End of Year Accruals workbook</a> to give EAL Finance Team chance to review <b>BEFORE CLOSE FOR EASTER [available 1 Mar]</b> <b>You should include accruals for Travel and Supply staff claims to 31 March</b> <a href="#">Pay – End of Year Accruals Workbook</a>
	22 Mar	<b>PFI</b> – deadline for schools being charged their March contract values. PFI Schools will <b>not</b> need to raise an accrual. Should you have any queries relating to this matter please contact <a href="#">Leroy Venn</a> on 01392 381200.
	23 Mar	<b>Printouts</b> - Schools Finance Team will run printouts to allow checking of End Of Year Accruals and other transactions.
20 Mar	24 Mar	<b>Banking</b> - Cheques must be sent 1 <sup>st</sup> Class to County Hall and during these dates must be clearly marked on the cheque listing " <b>OLD YEAR</b> ". After the <b>24 March</b> we cannot guarantee that they will appear in month 12. You will need to check the download data and add any omissions to your debtors schedule.

24 Mar	<b>Petty Cash</b> - Last day for Petty Cash to be reimbursed before end of term. Submit by 5pm
24 Mar	<b>Invoices</b> - Central Payment School <a href="#">Online Internal Invoicing</a> closes 5pm
27 Mar	<b>Mutual Fund</b> - Deadline for March. Any short term absence relating to March is required to be submitted by this date. Any new absence commencing 27 – 31 March would not be entitled due to the minimum 5 days waiting period.
30 Mar	<b>C£ASS</b> - Final C£ASS run for <b>OLD YEAR</b> – non-LPS Schools. Final posting run of old year internal invoices
30 Mar	<b>Printouts</b> - Schools Finance Team will run printouts to allow checking of End Of Year Accruals and other transactions.
30 Mar	<b>SCRAPS</b> – <b>all submissions to be made by 12 noon</b> – errors may mean costs not posted to <b>OLD YEAR</b> if no contact at school.
31 Mar	<b>Capital</b> - Please ensure that all capital projects have been appropriately coded to capital codes (Please do not split invoices between revenue codes and capital codes) if the SBS is funding part or all of the project please <a href="#">e-mail Capital Team</a> or call on 01392 383669 to arrange the appropriate SBS transfer. <b>Capital</b> - Deadline for submitting Capital Debtor / Creditor Information including supporting documentation to the <a href="#">Capital Team</a> . <b>Capital</b> – <b>SCHOOLS CAPITAL ACCOUNTS CLOSED TO SCHOOLS</b>
31 Mar	<b>Old Year</b> - Final BACS & Finest run for OLD YEAR – 12 noon
31 Mar	<b>EOY Accruals</b> - Deadline for Final <a href="#">End of Year Accruals workbook</a> and <a href="#">Pay – End of Year Accruals Workbook</a> to E&L finance team – <b>4pm [available 1 Mar]</b>
31 Mar	<b>Travel Claims</b> - Last date for receipt of Staff Travel Expenses Claims made up to 31 March. Claims that are complete before month end can be submitted before the deadline.
31 Mar	<b>Effective deadline by which goods/services need to be received/supplied to be included in 2015/16 accounts</b>
31 Mar	<b>LPS</b> – deadline for March VAT returns 12 noon
31 Mar	<b>Journals</b> - <a href="#">On-line Journal Transfers</a> close – <b>4pm</b>
31 Mar	<b>School accounts closed</b> to Schools – <b>4pm</b>
03 Apr	<b>FMS</b> – Period 13 opens <b>FINEST</b> - NEW FINANCIAL YEAR OPEN AND AVAILABLE First Cheque and BACS run in the New Year
03 Apr	<b>Reconcile</b> - Download and reconcile all transactions to date. <a href="#">Submit queries</a> to finance team.
03 Apr	<b>LPS</b> – latest dispatch date that the LPS Schools will receive their Final Accounts returns from the Schools Finance Team.
06 Apr	<b>FINAL ADJUSTMENTS</b> - submission of <b>significant</b> corrections and <b>significant</b> omissions

07 Apr	<b>Printouts</b> - Schools Finance Team will run printouts to allow checking of End Of Year Accruals and other transactions.
07 Apr	<b>LPS</b> - Submission of Final Accounts returns
07 Apr	<b>Capital</b> - Deadline for Capital "Spend by site" details to <a href="#">Capital team</a> . <b>Capital</b> – In Year Intangible Asset spend (C701 & C702) information to <a href="#">Capital Team</a>
12 Apr	<b>SCHOOLS LEDGERS CLOSED – 5pm</b>
18 Apr	<b>Closedown</b> - <a href="#">Run preliminary closedown</a> of FMS after FMS period 12 reconciliation. Housekeeping complete.
30 Apr	<b>FINAL YEAR END CONFIRMATION PRINTOUTS</b> available for download by schools – both Revenue and Capital
30 Apr	Carry forward confirmed by issue of final printout <a href="#">Run final closedown</a> of FMS system  FMS – Close of Period 13 and Financial Year 2016/17

If you have any queries on the processes please direct these through to your Finance Officer  
 ☐ 01372 834275 email: [schoolsfinance@babcockinternational.com](mailto:schoolsfinance@babcockinternational.com)

## Education Services Grant – Retained Duties

For 2017 to 2018, the general duties rate is ending and funding previously allocated through the ESG retained duties rate will be transferred into the schools block. Local authorities will be able to fund central services previously funded within the **retained duties rate (for all schools)**, with the agreement of schools forum. They will be able to fund services previously funded within the **general duties rate (for maintained schools only)** from maintained school budgets shares with the agreement of maintained school members of the schools forum. The split of services between the two groups is shown at Table 6. References are to the schedules in the current schools and early years finance (England) regulations.

Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from maintained schools only with agreement of schools forum)
<p><b>Statutory and Regulatory duties</b></p> <p>Director of children’s services and personal staff for director (Sch 1, 20a)</p> <p>Planning for the education service as a whole (Sch 1, 20b)</p> <p>Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch 1, 20d)</p> <p>Administration of grants (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure not met from schools’ budget shares (Sch 1, 20fi)</p> <p>Formulation and review of local authority schools funding formula (Sch 1, 20g)</p> <p>Internal audit and other tasks related to the authority’s chief finance officer’s responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools (Sch 1, 20i)</p> <p>Consultation costs relating to non-staffing issues (Sch 1, 20r)</p>	<p><b>Statutory and Regulatory duties</b></p> <p>Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 1, 20c)</p> <p>Budgeting and accounting functions relating to maintained schools (Sch 1, 20d)</p> <p>Functions relating to the financing of maintained schools (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 1, 20fii)</p> <p>Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 1, 20h)</p> <p>Internal audit and other tasks related to the authority’s chief finance officer’s responsibilities under Section 151 of LGA 1972 for maintained schools (Sch 1, 20i)</p> <p>Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 1, 20j)</p>
<p>Plans involving collaboration with other LA services or public/voluntary bodies (Sch 1, 20v)</p>	<p>Investigations of employees or potential employees, with or without remuneration to work at or for schools under the direct</p>

<p>Standing Advisory Committees for Religious Education (SACREs) (Sch 1, 24)</p> <p>Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch 1, 20w)</p>	<p>management of the headteacher or governing body (Sch 1, 20L)</p> <p>Functions related to local government pensions and administration of teachers' pensions in relation to staff working at maintained schools under the direct management of the headteacher or governing body (Sch 1, 20m)</p> <p>Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 1, 20n)</p> <p>HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch 1, 20o); determination of conditions of service for non-teaching staff (Sch 1, 20p); appointment or dismissal of employee functions (Sch 1, 20q)</p> <p>Consultation costs relating to staffing (Sch 1, 20r)</p> <p>Compliance with duties under Health and Safety at Work Act (Sch 1, 20s)</p> <p>Investigation and resolution of complaints relating to maintained schools (Sch 1, 20t)</p> <p>Provision of information to or at the request of the Crown relating to schools (Sch 1, 20w)</p> <p>School companies (Sch 1, 20x)</p> <p>Functions under the Equality Act 2010 (Sch 1, 20y)</p> <p>Establish and maintaining computer systems, including data storage (Sch 1, 22)</p> <p>Appointment of governors and payment of governor expenses (Sch 1, 26)</p>
<p><b>Education Welfare</b></p> <p>Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (Sch 1, 10c)</p> <p>School attendance (Sch 1, 11)</p> <p>Responsibilities regarding the employment of children (Sch 1, 29)</p>	<p><b>Education Welfare</b></p> <p>Inspection of attendance registers (Sch1, 11)</p>

<p><b>Asset management</b></p> <p>Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions (Sch 1, 10a)</p> <p>General landlord duties for all buildings owned by the local authority, including those leased to academies</p>	<p><b>Asset management</b></p> <p>General landlord duties for all maintained schools (Sch 1, 10a (section 542(2) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:</p> <ul style="list-style-type: none"> <li>• appropriate facilities for pupils and staff (including medical and accommodation)</li> <li>• the ability to sustain appropriate loads</li> <li>• reasonable weather resistance</li> <li>• safe escape routes</li> <li>• appropriate acoustic levels</li> <li>• lighting, heating and ventilation which meets the required standards</li> <li>• adequate water supplies and drainage</li> <li>• playing fields of the appropriate standards</li> </ul> <p>General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc Act 1974).</p> <p>Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012).</p>
<p><b>Central support services</b></p> <p>No functions</p>	<p><b>Central support services</b></p> <p>Clothing grants (Sch 1, 10e)</p> <p>Provision of tuition in music, or on other music-related activities (Sch 1, 15)</p> <p>Visual, creative and performing arts (Sch 1, 16)</p> <p>Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch 1, 17)</p>
<p><b>Premature retirement and redundancy</b></p> <p>No functions</p>	<p><b>Premature retirement and redundancy</b></p> <p>Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 1, 25)</p>

<p><b>Monitoring national curriculum assessment</b></p> <p>No functions</p>	<p><b>Monitoring national curriculum assessment</b></p> <p>Monitoring of National Curriculum assessments (Sch 1, 23)</p>
<p><b>Therapies</b></p> <p>No functions</p>	<p><b>Therapies</b></p> <p>This will be covered in the high needs section of the regulations</p>
<p><b>Additional note</b></p>	
<p>Services set out in the table above will also include overheads relating to these services (regulation 8(11) already refers to this for schedule 2 services) for:</p> <ul style="list-style-type: none"> <li>• Ensuring payments are made in respect of taxation, national insurance and superannuation contributions (sch 1, 20e).</li> <li>• Recruitment, training, continuing professional development, performance management and personnel management of staff (Sch 1, 20k)</li> <li>• Investigations of employees or potential employees, with or without remuneration (Sch 1, 20l)</li> <li>• Investigation and resolution of complaints (Sch 1, 20t)</li> <li>• Legal services related to education functions (Sch 1, 20u)</li> </ul>	