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To: Children Families and Education Policy Overview Committee
– 13 November 2008

Subject: Children Families and Education Budget Monitoring 2008/09

Classification: Unrestricted

1 Introduction

- 1.1 This report is the second report to this Committee on the forecast outturn against budget for the Children Families and Education (CFE) Directorate for 2008/09. It also includes a further update on the position on schools as requested by Members.

2 Quarterly monitoring report

- 2.1 At the time of writing the second quarter's monitoring for 2008/09 is not available, although the 'exception' report has been submitted to Cabinet and was considered by them on 13 October 2008. The main points to highlight are:
- a) Revenue
 - The Directorate is still projecting a balanced budget for 2008-09, as shown in Appendix 1. This forecast excludes Asylum and assumes that the planned action will ensure that the forecast overspend can be offset
 - £4.3m projected overspend in relation to support for unaccompanied asylum seeking children. Progress has been made in respect of the historic debt relating to asylum with confirmation from the Home Office that they will, subject to audit, settle in full our claims for 2006-07 and 2007-08. We are still trying to resolve the position with the DCSF
 - b) Capital
 - As indicated at the last meeting work has been undertaken to recast the Capital Programme in light of the credit crunch. This was reported to Cabinet on 13 October 2008 and the whole report, already available on the KCC website, is attached at Appendix 1, for ease of reference.

3 Schools

- 3.1 We reported in September on the steps being taken to review the balances held by those schools that had consistently reported the highest levels of reserves over the last 5 years.
- 3.2 The process of discussing their reserve levels and extent of committed expenditure has now been completed, and the recommendations of the review panels were reported to the Schools Funding Forum on 3 October.
- 3.3 Appendix 2 to this report summarises the outcomes of the review process. The first round panels recommended removing £1.8m from the reserves of 17 schools. A number of those schools then appealed against the recommendation and attended a second round of appeal meetings. Following appeal, the final amount that was agreed should be recovered was £1.476m, to be taken from 15 schools.
- 3.4 The Funding Forum, having considered the very high levels of energy price increases that were due to take effect from October, then decided that £1.3m of this sum recovered from schools' reserves, should be reallocated by formula to all schools to help cover those increased costs in the second half of the current year.
- 3.5 The Forum decided that the balance of the recovered excess balances should be used to meet the costs of additional training for schools in strategic financial management, as this had been identified as a weakness during the review panel meetings with some schools.
- 3.6 At the October meeting the Funding Forum also approved a revised Balance Control Mechanism (BCM) that will apply from the 2009-10 financial year. It had become clear that the existing scheme criteria were not sufficiently tightly drawn, leading to widely differing interpretations of what could constitute an allowable commitment.
- 3.7 The new BCM continues to allow a year-end rollover of up to 8% or 5% for primary/special schools and secondary schools respectively (the DCSF maxima), but reduces to three the number of exceptions allowable above that limit.
- 3.8 The most significant exception, and the most common purpose for which schools currently hold balances above the limit, will be revenue contributions to **approved** capital projects. To be approved schools will have to demonstrate that the project forms part of a properly drawn up asset management plan for the school, approved by the governing body, and that all other sources of capital funding, including the authority's internal loan scheme have been exhausted first.

- 3.9 Schools have just been informed of these changes, and have, therefore, 18 months notice before the new limits are applied in March 2010. This provides adequate opportunity to ensure that any current current excess reserve levels are spent wisely. We have emphasised that the purpose of BCM is to encourage schools to spend their revenue resources on the pupils in school now, not to take funding from them. A table summarising all the changes is attached at Appendix 3.
- 3.10 The first monitoring returns from schools for 2008/09 are due in October and we will update Members on the schools' latest forecast of reserves as soon as the information is available.

4 Recommendations

- 4.1 Members of the Children Families and Education Policy Overview Committee are asked to note the projected outturn figures for the directorate and the position on schools.

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Background documents:

- Report to Cabinet 13 October 2008
- Revenue Monitoring Exception Report
- Revised Capital Programme to address funding shortfall arising from current economic situation.

Other useful information:

None