

## **EDUCATION REVENUE BUDGET MONITORING REPORT 2004/05**

**Report By: Director Of Children's Services**

### **Wards Affected**

Countywide

### **Purpose**

1. To report on education revenue expenditure for 2004/05.

### **Financial Implications**

2. As set out within the report.

### **Revenue Monitoring 2004-05.**

3. The previous monitoring report to the 14<sup>th</sup> December Scrutiny Committee, which was based on expenditure to 31<sup>st</sup> October 2004, anticipated that the Education Revenue Budget would be underspent by £465,000. The projected underspend based on expenditure to 31<sup>st</sup> January 2005 is now estimated to be £480,000. The main variations are set out for information in Appendix 1.
4. A very large proportion (80%) of Education budget is delegated to schools. Any under or over spending in school budgets will be automatically carried forward into the next financial year under the statutory arrangements for delegation to schools. Other budgets such as Pupil Referral Units, Standards Fund, and the Schools' sickness scheme are likewise carried forward at the year-end.
5. After such accounting adjustments, it is anticipated that there will be an overall net underspend of approximately £480,000. Significant underspends on transport (£606,000) (£200,000 is a one off saving resulting from six fewer transport days in this financial year) and reduced take-up for early years provision for three and four year olds (£503,000) are predicted together with other smaller underspends on staff vacancies and awards administration. Within the overall total, overspends are predicted for PFI set-up consultancy fees (£600,000), SEN banding delegated to schools (£250,000) and targeted funding for school improvement (£231,000).
6. Some work has been undertaken to forecast year-end school balances by a variety of methods. However, none are able to take into account school committed expenditure authorised by governing bodies but not yet reflected in the accounts. Reliable forecasts of year-end balances is also further complicated by delegation of unspent budgets within the Schools Budget at year-end and Standards Fund which is accounted for on an academic year basis. It, therefore, remains very difficult to forecast with any degree of accuracy.

7. The best estimates of school revenue balances are as follows

	2004/05	2003/04
	<b>Estimates</b>	<b>Actuals</b>
	£'000	£'000
<b>Primary</b>	3,783	3,653
<b>High</b>	1,597	1,597
<b>Special</b>	236	288
<b>Total</b>	5,616	5,540

8. No reliable estimate of high school balances is available. However, if the primary school trend is replicated in high schools then little change from 2003/04 is expected. No forecast has been prepared for schools' capital balances since schools can save capital funding over a three-year timescale to implement more substantial building works. Schools' capital balances are expected to increase slightly. Headteachers have been asked to review with their governing body an appropriate level of balances when setting their school budget for 2005/2006 taking into account the potential budget pressures arising from job evaluation, workforce reform and falling pupil numbers.
9. The school funding system is based on the governors, acting as the accountable body, operating the first line budget control. The governing body is required to set an annual budget and monitor regularly throughout the year usually through a finance committee. The Council undertakes half year and three quarter year monitoring and projections are sent to governing bodies for review. Schools that wish to set a deficit budgets must have a formal agreement with the Council; there are two such agreements at present.
10. Members are also asked to note that some work has been undertaken to revise the presentation of this report and to reconcile the reporting to the cost centre structure used by the Cedar accounting system. Most of the changes have now been made, however, there remains a few more to be completed at the start of the new financial year. The changes are intended to provide a more robust and auditable reporting structure although it does mean that this report is not directly comparable to previous reports. All the key variances remain as previously identified and are listed in the Appendix.

## RECOMMENDATION

**THAT the report on Education Revenue Expenditure 2004/05 be noted.**

## BACKGROUND PAPERS

- None identified.