

Report to: Schools Forum

Subject: Schools' Balances 31st March 2013

Date of meeting: 17 July 2013

Report by: Director of Children's Services

Written by: Finance Manager

1. Purpose of report

This report advises on the level of schools' revenue and capital balances as at 31st March 2013 and provides a detailed commentary on their planned use.

2. Recommendations

It is recommended that Schools Forum notes the proposed use of balances outlined in appendices 1 and 2.

3. Background

- 3.1 Each year schools are given delegated budgets which are calculated using a locally agreed fair funding formula. These budgets are supplemented by specific government grants (e.g. Pupil Premium) and through the efforts of the school. Delegated budgets are intended to be spent during the year on the existing cohort of pupils, although it is prudent for a school to retain a small surplus to provide for future uncertainties.
- 3.2 Schools do spend the vast majority of funds directly on the education of their pupils, However, there are a number of genuine reasons why schools may accumulate a balance at the year-end, for example, to provide for planned building works or to provide consistency in staffing levels during funding fluctuations relating to predicted changes in numbers on roll.
- 3.3 In some cases, factors outside of the control of the school can cause increases in balances; for example, large capital building schemes may slip from one year into the next.
- 3.4 Whilst devolved formula capital allocations are ring fenced for capital purposes only, schools may use revenue balances to support capital schemes. In 2012/13, schools allocated some £1.3m of revenue funding to capital purposes.

- 3.5 Schools were surveyed during the spring term to ascertain future commitments against estimated closing balances in order to provide data in accordance with Consistent Financial Reporting (CFR) requirements. This data has since been updated to reflect actual, rather than estimated, closing balances.
- 3.6 As schools convert to Academy status they generally take any surplus balance at the time of conversion with them.

4. Revenue Balances

- 4.1 The following table illustrates the level of school revenue balances over the last three years:

Sector	Balance as at 01/04/11	% of 2010/11 budget allocation	Balance as at 01/04/12	% of 2011/12 budget allocation	Balance as at 01/04/13	% of 2012/13 budget allocation
Nursery & Primary schools	4,255,110	9.24	5,459,700	9.58	5,636,467	9.71
Secondary schools	1,607,392	4.36	2,494,693	5.80	3,399,712	7.99
Special schools	398,539	3.94	616,372	7.18	464,301	5.26
Total	6,261,041	6.76	8,570,766	7.89	9,500,480	8.68

Note: the above totals are the aggregate of surplus and deficit balances.

- 4.2 It is important to note that the total schools' balances of £9.5m as at 1 April 2013 include £0.9m of community related balances e.g. Community Improvement Partnerships, community lettings, breakfast and after school clubs etc. leaving £8.6m of "curriculum" balances relating to core activity. Of this, a further £3.6m has been committed to specific projects or initiatives, leaving a balance of £5.0m, or 6.54% of the 2012/13 budget allocation, as genuinely uncommitted. This is an increase of 2.1% on the equivalent figure for April 2012, and it exceeds the CIPFA guideline of between 2-3% of budget for uncommitted balances. It is likely that many schools have sought to retain funding where possible as there are uncertainties over future funding due to changes which will be implemented as part of the national school funding reform.
- 4.3 Overall, only two schools had year end deficits on their curriculum accounts (the highest being £36,000, or 6% of the school's total budget share) and have an agreed recovery plan in place to recover the deficit over the next two years. One school that was in deficit last year has subsequently recovered that deficit and had a slight surplus at the end of 2012/13. There were also a number of schools carrying deficits on community activities and Local Authority officers are working with these schools to agree recovery plans.

4.5 The table below shows levels of uncommitted balances over the last three years:

Sector	Uncomm. Balance as at 01/04/11	% of 2010/11 budget allocation	Uncomm. Balance as at 01/04/12	% of 2011/12 budget allocation	Uncomm. Balance as at 01/04/13	% of 2012/13 budget allocation
Nursery & Primary schools	1,643,631	3.48	2,237,576	3.93	2,983,890	5.17
Secondary schools	462,374	1.25	953,884	2.22	1,800,400	4.23
Special schools	267,421	2.64	259,379	3.02	280,123	3.17
Total	2,373,426	3.06	3,450,839	4.46	5,064,414	6.54

4.6 There is no longer any requirement for local authorities to provide for a claw-back mechanism for excessive balances, and this provision has been removed from Portsmouth's Scheme for Financing Schools. The Department for Education has indicated that it will review balances as a whole and may make further provisions in the future.

4.7 A full analysis of schools' revenue balances is given at appendix 1 setting out how each school is planning to use available funds according to the spring term survey returns.

4.8 The table below shows the 5 schools with the highest level of uncommitted balances and the reasons for these.

School	Uncommitted Balance as at 31/03/2013	Uncommitted as % of Budget Share
Charles Dickens Infants	280,736	26.34%
Springfield Secondary	809,143	15.77%
Cumberland Infant	82,463	13.32%
St Edmunds RC Secondary	582,362	12.99%
Solent Infant	106,102	11.33%

5. Capital Balances

5.1 Devolved capital allocations are ring fenced and schools are expected to spend them on priority capital needs of school buildings. These allocations will therefore be held as capital balances until they are used and may be supplemented by funding from other sources.

5.2 An analysis of schools' current capital balances is given at Appendix 2 together with proposed spending plans as returned in the school survey. Where spending plans exceed balances there will need to be additional funding proposals.

5.3 The table below illustrates the level of school capital balances for the last three years:

Sector	Balance as at 01/04/11	Balance as at 01/04/12	Balance as at 01/04/13
Nursery & Primary schools	2,165,113	1,595,576	1,363,070
Secondary schools	371,551	868,570	300,781
Special schools	229,753	148,152	167,926
Total	2,766,417	2,612,298	1,831,776

Note: the above totals are the aggregate of surplus and deficit balances.

5.4 In order to bring forward proposed capital schemes, schools were permitted to seek to spend against future DFC funding with the agreement of the Local Authority. DFC allocations were reduced significantly in 2011/12, meaning that it is no longer appropriate for schools to “anticipate” future capital funding. Consequently schools wishing to advance a capital scheme may consider local authority loans (against collective revenue balances) as an alternative going forward. After some 5 years without loan advances, 2012/13 saw approval of three such loans amounting to £288,600.

6. Amalgamating Schools

6.1 When schools amalgamate to form a “new” school the school balances are retained within the central DSG..

6.2 Charles Dickens Junior and Infants Schools amalgamated on the 1st April to form Charles Dickens Primary School. The accumulated balances of the Junior and Infants schools at 31st March were £310,323 as detailed in Appendices 1 and 2.

6.3 These balances were transferred to central DSG and in accordance with the decision of the Schools Forum at its meeting on 24th October 2012, an equivalent sum has been allocated to the “new” Charles Dickens Primary School.