

Title of meeting: Cabinet Member for Children, Families and Education

Date of meeting: 1 October 2020

Subject: Maintained School Balances as at 31st March 2020

Report from: Alison Jeffery, Director of Children, Families and Education

Report by: Angela Mann, Finance Manager

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

1.1. The purpose of this report is to inform the Cabinet Member of the level of maintained schools' revenue and capital balances as at 31st March 2020.

2. Recommendations

2.1. It is recommended that the Cabinet Member notes the level of maintained schools' revenue balances and capital balances as at 31st March 2020 as shown in Appendices 2 & 3 and the monitoring action taken by the council.

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 income generated by the school. Delegated revenue 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 2019-20, schools allocated some £0.771m (£0.683m 2018/19) 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. In 2014 Schools Forum agreed to discontinue the "balance control mechanism" (i.e. a "clawback" system) and to implement proposals to strengthen the monitoring arrangements. An extract from the current Scheme for Financing Schools is shown at Appendix 1 which highlights the 'controls on surplus balances' together with the items that can be deemed to be committed within the year-end balances.

4. Revenue Balances

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

Sector	No. of schools as at 31/3/18	Balance as at 01/04/18 £	% of 2017/18 budget allocation	No. of schools as at 31/3/19	Balance as at 01/04/19 £	% of 2018/19 budget allocation	No. of schools as at 31/3/20	Balance as at 01/04/20 £	% of 2019/20 budget allocation
Nursery & Primary schools	24	4,028,254	13.24	21	3,690,390	13.14	20	3,328,266	12.04
Secondary schools	2	379,974	3.57	2	749,157	6.59	2	801,995	6.83
Special schools	2	(892,921)	(17.22)	2	70,285	1.30	1	(25,843)	(0.53)
Total	28	3,515,307	7.60	25	4,509,833	10.06	23	4,104,418	9.16

- 4.2. Since presenting the balances report last year, Stamshaw Infant School has converted to Academy status and their surplus balance has transferred to the new Academy Trust. Also Willows Centre for Children has closed and the balances put back to the Dedicated Schools Grant.
- 4.3. In order to provide a consistent comparison between 2018/19 and 2019/20, the balance for this school has been excluded from the restated 2018/19 figures in the table below.

Sector	Balance as at 01/04/19	% of 2018/19 budget allocation	Balance as at 01/04/20	% of 2019/20 budget allocation
Nursery & Primary schools	3,610,579	12.77	3,328,266	12.04
Secondary schools	749,157	6.59	801,049	6.83
Special schools	49,748	1.13	(25,843)	(0.53)
Total	4,409,484	10.01	4,104,418	9.16

- 4.4. It is important to note that the total schools' balances of £4.1m as at 1 April 2020 include £0.232m (£0.176m 2018/19) of community related balances e.g. Community Improvement Partnerships, community lettings, breakfast and after school clubs etc. leaving £3.9m (£4.3m 2018/19, including schools which have since converted to academy status) of "curriculum" balances relating to core activity. Of this, a further £0.5m (£1.2m 2018/19) has been committed to specific projects or initiatives, leaving a balance of £3.6m, or 8.4% of the 2019/20 budget allocation, as genuinely uncommitted. This exceeds the CIPFA guideline of between 2-3% of budget for uncommitted balances.
- 4.5. Two schools had year-end deficit balances at the end of 2019-20. Of the two schools concerned:
- The Harbour School has a deficit balance as at the closing of the authority's accounts. Over the year end period, the School was unable to finalise the year end accruals due to illness and whilst the authority supported the school to ensure the accruals were completed, a number were missed. If the school had put these accruals through the accounts for the school would have had a small surplus position.
 - Mayfield School has submitted a deficit recovery plan which is currently being reviewed by the Authority.

5. Review of Specific School Balances

- 5.1 The school revenue balances as at 31st March 2020 are shown by school at Appendix 2. Whilst the authority has seen a welcome reduction in the number of schools with reducing or low balances since 2018-19, there are still some schools which are causing some concern. Additionally there are some schools that meet the criteria of having excessive balances. The following sections set out the explanations for the level of balances and any action being taken.

Reducing or low balances

- 5.2 During 2016-17 Schools Forum requested that the council contact the Chair of Governors for schools with reducing or low balances as at 31st March 2016. This process now forms part of the annual review of school balances.
- 5.3 At the end of 2018-19 three schools had seen a continued reduction in balances from the previous year. At the end of 2019-20 financial year, two schools, Bramble Infant and Nursery and St Swithuns Catholic Primary have seen an increase in their balances of above 8% of their budget share, which has placed both schools in a financially stronger position. The authority is still working with these schools using the Schools Resources Management Advisor to review their financial position (see Section below). The balance of the remaining school (Corpus Christi) has remained stable, but low and the authority is continuing to offer support to help the school obtain financial stability.
- 5.4 In addition to the three schools above at the end of 2018-19 the authority identified Craneswater Junior School that had stable but low balances (under 8%) for a number of years. At the end of 2019-20 the school's balance has increased and are now sitting at 12.2% of the budget share.
- 5.5 As part of the year-end monitoring process of school balances, a review was undertaken to identify those schools that have shown a continued or significant reduction (defined as 25% or more) in their level of balances and whose balances form less than 8% (primary and special schools) or 5% (secondary schools) of their budget share.
- 5.6 Three schools were identified as meeting the above criteria; Cottage Grove Primary school has contacted the authority and the remaining two Manor Infant and Devonshire Infant have been contacted offering to meet with the schools to understand the reasons for the reduction in balances and the actions they are taking to review their budgets and ensure future financial stability.
- 5.7 In summary, the schools and governing bodies contacted have indicated that they are aware of the financial situation and are taking action to address the financial pressures facing the schools.

Schools Resource Management Advisor

- 5.8 As reported in July 2019 the authority has been working with Department for Education Schools Resource Management Advisors (SRMAs) to review the financial position of two schools in the City and advise on whether there are any previously unidentified opportunities to support the schools to a financially stable position.

5.9 The SRMA met with the Schools in December 2019 and over the course of the intervening months has worked with the schools and authority to review schools the financial position. At the time of writing this report the initial draft report has been received by the authority. This will be reviewed along with the recommendations, before a final meeting to sign off the report. The recommendations in the reports are advisory and it is a governing body decision whether to implement them, following any further advice regarding Educational or Human Resource implications.

Excessive balances

5.10 The Scheme for Financing Schools categorises Primary & Special Schools who have uncommitted balances in excess of 8% of budget share as having excessive balances. For Secondary Schools, the threshold is 5% of budget share.

5.11 Of the 12 Primary and Special schools with uncommitted balances over 8%, six have balances below 10%, five have balances between 10% and 20% and one has uncommitted balances over 20%.

5.12 For Secondary Schools, only one of the two maintained schools had uncommitted balances in excess of 5% of budget share.

5.13 The of the three schools that had balances in in excess of 20% at the end of 2018-19, two (Fernhurst Junior and Portsdown Primary) balances have reduced to under 20% of the budget share an the end of 2019-20. Fernhurst's 2019-20 uncommitted balances total 9.3% of the budget share, using the remaining committed balances to support capital works and children with Education Health and Care plans. Whilst Portsdown 2019-20 uncommitted balances are 17.8% of the budget share. As both schools have uncommitted balances below 20% they have not picked up as part of the excessive balances review, but due to the size of the school balances the authority is in conversation with both schools to understand their financial plans.

5.14 For the remaining school (St John's Catholic Primary School) the uncommitted balance remains in excess of 20% at 31.55% of the budget share. Analysis of the reasons for the high balance are set out below.

St John's Catholic Primary

5.15 St John's year-end balances have decreased by £20,969 from £356,537 at the end of March 2019 to £337,901 at the end of March 2020. The school has indicated that all of their balance is uncommitted.

5.16 With regards to the uncommitted balance of £337,901, this equates to 31.55% of the school's budget share.

5.17 The Governing Board are in the process of implementing the plans identified regarding the balance as at the end of 2018-19 financial year

and to date the installation of the CCTV has been completed and the refurbishment of the playground is in progress. Other plans identified at the end of 2018-19 (listed below) are still under consideration and form part of the schools on-going commitment to planning ahead for expected repairs and improvements.

- Continuing with the programme to maintain the fabric of the school roof including replacing roof tiles and flat roof maintenance.
- Replacing pumps in the boiler room
- Refurbishing the toilets.

5.18 The school has identified that they are seeing a reduction in pupil premium funding and an increase in pupils with English as an additional language, which is creating pressure within their budget and have had to resort to the use of their surplus to support the planned expenditure for 2020-21. As balances are one-off funding, the long term continued use of balances to support on-going expenditure is not sustainable and the authority has gone back to the school to understand more about the pressures they are facing

5.19 In addition to the three schools above who had high balances at the end of 2018-19. A further school, Wimborne Junior, had total balances of 21.2% of the budget share and an uncommitted balance of 19.2%. The School is in the process of amalgamating with Wimborne Infant and has retained funding to support the transition to a single primary school and the subsequent loss of a lump sum from the primary budget share in 2021-22.

5.20 As at the end of 2019-20, 60% (12) of the authority's maintained primary schools have uncommitted balances in excess of 8% of their budget share. The authority is in contact with the three primary schools with uncommitted balances of over 15%, to understand the educational and financial context for these balances. The authority is working with the remaining 40% to support the effective financial management of the available financial resources, varying the level of support in accordance to the specific needs of the school. It is hoped that the support and advice will help these schools to achieve long term financial stability.

6. Capital Balances

6.1 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.

6.2 An analysis of schools' current capital balances is given at Appendix 3 together with proposed spending plans as returned in the school survey. Where spending plans exceed balances there will need to be additional funding proposals.

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

Sector	No. of schools as at 31/3/18	Balance as at 01/04/18 £	No. of schools as at 31/3/19	Balance as at 01/04/19 £	No. of schools as at 31/3/20	Balance as at 01/04/20 £
Nursery & Primary schools	24	573,715	21	742,769	20	572,852
Secondary schools	2	1,276,329	2	1,497,639	2	764,873
Special schools	2	(19,395)	2	14,424	1	10,394
Total	28	1,830,649	25	2,254,887	23	1,348,119

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

6.4 As with the revenue balances, in order to provide a consistent year-on-year comparison, the closing balances in respect of those schools who converted to Academy status or that have closed, have been excluded from the restated 2018/19 figures in the table below.

Sector	Balance as at 01/04/19 Restated £	Balance as at 01/04/20 £
Nursery & Primary schools	731,477	572,852
Secondary schools	1,497,693	764,873
Special schools	1,845	10,394
Total	2,231,016	1,348,119

6.5 The reduction in overall balances is mostly due to a large building project undertaken by St Edmund's RC Secondary School.

7. Reasons for recommendations

This report is for information only and the Cabinet Member is asked to note the contents of the report.

8. Integrated impact assessment (EIA)

An integrated impact assessment is not required as the recommendations do not have a positive or negative impact on communities and safety, regeneration and culture, environment and public space or equality and diversity. .

9. Legal comments

There are no legal implications arising from the recommendation in this report.

10. Finance comments

Financial comments have been included within the body of this report.

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Signed by: Alison Jeffery - Director of Children, Families and Education

Appendices:

- Appendix 1: extracts from the current Scheme for Financing Schools
- Appendix 2: schools' revenue balances at 31st March 2020
- Appendix 3: schools' capital balances and commitments at 31st March 2020

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
School Balances Files and Spreadsheets	Education Finance
Scheme For Financing Schools	PCC website

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

Extracts from the current Scheme For Financing Schools

4.2 Controls on surplus balances

As schools are moving towards greater autonomy and should not be constrained from making early efficiencies and to support medium term budgeting in a tighter financial climate, the balance control (clawback) mechanism for excessive balances continues to be withdrawn.

Schools will be deemed to have excessive balances, when Primary and Special Schools have uncommitted balances in excess of 8% and Secondary Schools 5% of their budget shares.

The control framework for monitoring school balances and their intended use requires that:

- a. Schools will continue to be asked to provide a breakdown of their year-end balances between committed and uncommitted, as well as an analysis of the intended use of any committed balances. The Education and Children's Finance team will continue to co-ordinate the process.
- b. A School Balances report will be presented to both the Cabinet member for Children's and Education and Schools Forum, following the completion of the year-end closedown process. This report will provide an analysis of the balances by school and schools with significant balances may be highlighted specifically within the report.
- c. Those schools identified as potentially breaching the balance thresholds, will be asked to provide further evidence of the planned use of their balances. The information will be reported back to Elected Members, the Schools Forum and the Education Department.
- d. The Education Department will consider this information as part of its school performance and improvement service provision, school challenge and specific reviews.

In determining whether school balances are committed, schools are only permitted to assign as committed, items listed in Annex 6.

School Forum may revisit the balance control (clawback) mechanism and the above control framework from time to time and where they believe significant and excessive balances have accumulated.

Annex 6 –PERMITTED SPECIFIC PURPOSES FOR THE USE OF SURPLUS FUNDS

- Valid orders placed through the financial system, but for which the goods have not been received.
- Funds held on behalf of other schools by fund holder schools (e.g. cluster funding).
- Balances held for specific community projects e.g. nursery provision, children's' centres, extended services.
- Contribution towards capital works with the school (where alternative capital resources have been exhausted). A clear statement of intent signed by the Chair of Governors (subject to clawback if not delivered in stated timescales - maximum 3 years).
- Providing consistency in staffing levels where numbers on roll are predicted to fluctuate within the next year (note that a reasonable commitment would be £3,000 per pupil and forecast variations in pupil numbers should be given).
- Unexpected funds received by the school near the year-end which will be utilised for a specific purpose in the following financial year.

APPENDIX 2
SCHOOLS REVENUE BALANCES AS AT 31 MARCH 2020

DFE No.	Balance as @ 31/03/2019	% of 2018/19 Budget Share Allocation	School Name	2019/20 Budget Share	Analysis of Balance		Balance as @ 31/03/2020	% of 2019/20 Budget Share Allocation	Uncommitted as % of Budget Share Allocation	Committed as % of Budget Share Allocation
					Uncommitted	Committed				
PRIMARY & NURSERY SCHOOLS										
2008	321,035	12.98%	Copnor Primary	2,515,372	244,803	65,655	310,458	12.34%	9.73%	2.61%
3420	47,402	3.89%	Corpus Christi Catholic Primary	1,261,291	47,205		47,205	3.74%	3.74%	
2689	186,955	9.38%	Cottage Grove Primary	2,015,518	37,498	48,687	86,185	4.28%	1.86%	2.42%
2716	89,403	5.59%	Craneswater Junior	1,723,385	207,097		207,097	12.02%	12.02%	
2665	114,313	15.33%	Cumberland Infant	746,037	66,587		66,587	8.93%	8.93%	
2648	91,501	10.46%	Devonshire Infant	892,197		66,586	66,586	7.46%		7.46%
2714	312,639	22.13%	Fernhurst Junior	1,494,603	139,593	106,417	246,010	16.46%	9.34%	7.12%
2637	57,902	7.43%	Bramble Infant & Nursery	753,821	63,809	14,000	77,809	10.32%	8.46%	1.86%
2719	112,426	10.64%	Manor Infant	1,021,753	48,453	-1,061	47,392	4.64%	4.74%	-0.10%
2673	102,168	10.64%	Medina Primary	960,754	86,356		86,356	8.99%	8.99%	
2006	220,693	12.17%	Milton Park Primary	1,834,439	228,401	-26,208	202,193	11.02%	12.45%	-1.43%
2765	523,824	24.64%	Portsdown Primary	2,178,209	387,969	44,606	432,575	19.86%	17.81%	2.05%
2680	82,256	10.22%	Southsea Infant	806,495	84,015		84,015	10.42%	10.42%	
3214	232,611	14.95%	St Georges Beneficial C of E Primary	1,622,835	74,421	67,500	141,921	8.75%	4.59%	4.16%
3422	356,537	34.94%	St John's Catholic Primary	1,070,937	337,901		337,901	31.55%	31.55%	
3212	162,239	10.25%	St Judes C of E Primary	1,585,911	121,483	46,092	167,575	10.57%	7.66%	2.91%
5207	240,788	14.49%	St Pauls Catholic Primary	1,727,809	150,881	78,802	229,684	13.29%	8.73%	4.56%
3423	55,801	4.88%	St Swithuns Catholic Primary	1,207,494	58,002	39,303	97,306	8.06%	4.80%	3.25%
2698	79,811	7.40%	Stamshaw Infant				<i>now an Academy</i>			
2699	92,020	11.00%	Wimborne Infant	839,550	65,509	23,815	89,324	10.64%	7.80%	2.84%
2705	208,070	15.45%	Wimborne Junior	1,392,233	267,131	36,955	304,086	21.84%	19.19%	2.65%
	3,690,390		Total Primary & Nursery	27,650,642	2,717,117	611,149	3,328,266	12.04%	9.83%	2.21%
SECONDARY SCHOOLS										
4303	31,852	0.51%	Mayfield Secondary	6,298,999	22,400	-134,453	-112,054	-1.78%	0.36%	-2.13%
5413	717,305	14.06%	St Edmunds Catholic Secondary	5,447,004	819,424	94,625	914,049	16.78%	15.04%	1.74%
	749,157		Total Secondary	11,746,004	841,824	-39,829	801,995	6.83%	7.17%	-0.34%
SPECIAL SCHOOLS										
7472	49,748	1.13%	Harbour	4,858,054		-25,843	-25,843	-0.53%		-0.53%
7750	20,537	2.09%	Willows Nursery				Closed			
	70,285		Total Special	4,858,054		-25,843	-25,843	-0.53%		-0.53%

The figures in the table above may not sum exactly due to rounding

APPENDIX 3
SCHOOLS CAPITAL BALANCES AS AT 31 MARCH 2020

Balance as @ 31/03/2019	Balance as @ 31/03/2020	Spending Plan	Description of Plan	Projected Balance
PRIMARY & NURSERY SCHOOLS				
31,750		14,577	Payment 3 of 3 Replacement of heating system	
	11,210	14,577		(3,367)
233	233	0		233
7,723		6,129	Lodge Refurb Grant Fenced	
	17,288	6,129		11,159
(24,749)		0		
	(28,375)	0		(28,375)
46,737		0		
	40,197	0		40,197
9,670		2,211	IT hardware project	
	2,211	2,211		0
14,380		11,906	Contribution to LA Capital Works to Gable Ends	
	10,411	11,906		(1,495)
23,178		21,000	To meet capital expenditure plan for 20/21 & 21/22	
	23,341	21,000		2,341
31,272		0		
	37,781	0		37,781
11,681		0		
	3,120	0		3,120
26,657		0		
	764	0		764
64,113		48,000	Estimated contribution to Boiler Condition works	
		10,000	On-going Roof repairs	
		4,000	Additional ICT tables	



Balance as @ 31/03/2019	Balance as @ 31/03/2020	Spending Plan	Description of Plan	Projected Balance
		3,500	Additional ICT Interactive boards	
	59,068	65,500		(6,432)
17,199		0		
	1,222	0		1,222
96,158		50,000	New Modular for FSU	
	53,364	50,000		3,364
296,389		8,478	CCTV - Smart Security System	
		150,000	Playground refurbishment	
		50,000	Roof repairs	
		5,000	Replace Boiler Pumps	
		25,000	Toilet refurbishment	
		5,000	New entry system	
	278,823	243,478		35,345
50,862		15,000	Décor (hall, soundboards, stairwells)	
		8,000	Girls downstairs toilets	
		5,000	Oasis room	
	51,120	28,000		23,120
14,314		4,924	Salix Loan Repayment	
		6,160	Electrical Testing	
		7,206	IT Equipment	
	11,073	18,290		(7,217)
0		0		
	0	0		0
11,292			Academy	
	0	0		0
13,739		0		
	0	0		0
173		30,229	Contribution towards Capital work under school modernisation capital programme	
	0	30,229		(30,229)
742,769	Total Primary	572,852		81,532



Balance as @ 31/03/2019		Balance as @ 31/03/2020	Spending Plan	Description of Plan	Projected Balance
SECONDARY SCHOOLS					
38,287	Mayfield		7,794	Towards the purchase of new minibus	
		3,794	7,794		(4,000)
1,459,407	St Edmunds RC		6,860	Canopies	
			127,838	General/Contingency Capital work	
			362,110	Teaching Block	
			13,740	Wash/Changing Rooms	
			150,000	Art Block Refurbishment	
		761,079	660,548		100,531
1,497,693	Total Secondary	764,873	668,342		96,531
SPECIAL SCHOOLS					
1,845	The Harbour School				
		10,394	0		10,394
12,579	Willows Nursery			Closed	
		0	0		0
14,424	Total Special	10,394	0		10,394

SUMMARY					
742,769	Primary Schools	572,852	491,320		81,532
1,497,693	Secondary Schools	764,873	668,342		96,531
14,424	Specials Schools	10,394	0		10,394
2,254,887		1,348,119	1,159,662		188,457