

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

Date of meeting: 15 July 2021

Subject: Local Authority Maintained School Balances as at 31st March 2021

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 Local Authority maintained schools' revenue and capital balances as at 31st March 2021.

2. Recommendations

- 2.1. It is recommended that the Cabinet Member notes the level of Local Authority maintained schools' revenue balances and capital balances as at 31st March 2021 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 the locally agreed national 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 yearend; 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 2020-21, schools allocated some £1.526m (£0.771m 2019/20) 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 that highlights the 'controls on surplus balances' together with the items that can be deemed 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 31/3/19	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	No. of schools as at 31/3/21	Balance as at 01/04/21 £	% of 2020/21 budget allocation
Nursery & Primary schools	21	3,690,390	13.14	20	3,328,266	12.04	19	4,130,191	14.60
Secondary schools	2	749,157	6.59	2	801,995	6.83	2	878,465	6.97
Special schools	2	70,285	1.30	1	(25,843)	(0.53)	0	0	0
Total	25	4,509,833	10.06	23	4,104,418	9.16	21	5,008,656	12.25

- 4.2. Since presenting the balances report last year, The Harbour School (who was in deficit at 31 March 2020) has converted to Academy status with a surplus balance, which has transferred to the new Academy Trust. Also following amalgamation, the accounts of Wimborne Infant and Junior Schools were closed and the balances were passed on to Wimborne Primary School.
- 4.3. In order to provide a consistent comparison between 2019/20 and 2020/21, the balance for The Harbour School has been excluded from the restated 2019/20 figures in the table below.

Sector	Balance as at 01/04/20	% of 2019/20 budget allocation	Balance as at 01/04/21	% of 2020/21 budget allocation
Nursery & Primary schools	3,328,266	11.60	4,130,191	14.60
Secondary schools	801,049	6.83	878,465	6.97
Special schools	0	0	0	0
Total	4,130,261	10.21	5,008,656	12.25

- 4.4. It is important to note that the total schools' balances of £5.0m as at 1 April 2021 include £0.104m (£0.232m 2019/20) of community related balances e.g. Community Improvement Partnerships, community lettings, breakfast and after school clubs etc. leaving £4.9m (£3.9m 2019/20, including schools which have since converted to academy status) of "curriculum" balances relating to core activity. Of this, a further £1.1m (£0.5m 2019/20) has been committed to specific projects or initiatives, leaving a balance of £3.8m, or 9.3% of the 2020/21 budget allocation, as genuinely uncommitted. This exceeds the CIPFA guideline of between 2-3% of budget for uncommitted balances.
- 4.5. Overall 71% (15) of schools saw an increase in their balances when compared to 2019-20, the reasons behind the increase will vary from school to school but a number of schools have reported that planned expenditure on supply costs has been lower than expected due to the national lockdowns.
- 4.6. Of the six schools that saw a decrease in balances, three had balances in excess of 10% of their budget share and are not of concern. Of the remaining three schools, two form part of the reducing balance review as set out in Section 5. The remaining school's reduction in balances are less than the 25% threshold (see paragraph 5.3) and the authority will keep a watching brief on the balances as part of the regular meetings with school.
- 4.7. As at the 31 March 2020, there were two schools in deficit. The Harbour School converted to Academy on 31 December 2020 and left with a surplus balance. Mayfield School submitted a deficit recovery plan and at the 31 March 2021 had a small surplus. One school had a yearend deficit balance at the end of 2020-21, Manor Infant School, the authority is in discussion with the school regarding the deficit balance and the school has produced a recovery plan.

5. Review of Specific School Balances

- 5.1 The school revenue balances as at 31st March 2021 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 2019-20, there are still some schools, which are causing some concern. Additionally some schools 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 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 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.
- 5.4 At the end of 2019-20, three schools were identified as meeting the above criteria; by the end of 2020-21:
- Cottage Grove Primary school has seen a small increase in their year-end balances in 2020-21.
 - Devonshire Infant have seen an increase in their balances to above 8% and;
 - Manor Infant have gone into deficit.
- 5.5 As at 31 March 2020-21 there are two schools that have reducing balances, both schools have been contacted and have responded to the authority;
- Manor Infant has produced a recovery plan which has been agreed by governors and is being reviewed by the authority
 - Bramble Infant and Nursery are working through the recommendations made by the Schools Resource Management Advisor and are planning to take the plan to governors in September 2021.

Schools Resource Management Advisor

- 5.6 As previously reported 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.
- 5.7 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 the financial positions. The final reports were received by the authority in the autumn of 2020 and shared with the schools. Further meetings have been held with the schools to go through the recommendations and the schools concerned are considering the options with Governors.

Excessive balances

- 5.8 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.
- 5.9 Of the nine Primary schools with uncommitted balances over 8%, seven have balances between 10% and 20% and two have uncommitted balances over 20%.
- 5.10 For Secondary Schools, only one of the two maintained schools had uncommitted balances in excess of 5% of budget share at 14.7% of the budget share.
- 5.11 Of the two primary schools with excessive balances, one had balances in excess of 20% (St John's Catholic Primary) in 2019-20, whilst the balances have reduced in 2021-22 the uncommitted balance remains at over 20% at 30.64% of the budget share. The other school with excessive balances (Wimborne Primary School) is as a result of the amalgamation of the Wimborne Infant and Junior Schools.
- 5.12 Analysis of the reasons for the high balances are set out below.

St John's Catholic Primary

- 5.13 St John's yearend balances have decreased by £6,473 from £337,901 at the end of March 2020 to £331,428 at the end of March 2021. The school has indicated that £696 of their balance is committed, with £330,732 being uncommitted.
- 5.14 With regards to the uncommitted balance of £330,732, this equates to 30.64% of the school's budget share.
- 5.15 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 carried forward to 2019-20 and 2020-21. To date the refurbishment of the playground is still in progress following a delay due to the national lockdowns this is expected to be completed by September 2021. The replacement pumps in the boiler room have been installed. 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.
 - Refurbishing the toilets.
- 5.16 The school has identified that they are continuing to see 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 and in 2021-22. 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 and offering support.

Wimborne Primary School

- 5.17 In September 2020 Wimborne Infant and Wimborne Junior Schools amalgamated to form Wimborne Primary School. On amalgamation the balances from the two predecessor schools were passed to Wimborne Primary School.
- 5.18 At the 31 March 2021 the balance for Wimborne Primary School was £602,444 (25.8% of the budget share) of which £598,836 (25.63% of the budget share) is uncommitted.
- 5.19 The school has committed to using the balances to support a number of capital projects over the next three years with the following expected to be completed in 2021-22:
- Walkway and ground works
 - Pointing of brickwork.
- 5.20 As at the end of 2020-21, 47% (9) of the authority's maintained primary schools have uncommitted balances in excess of 8% of their budget share. The authority continues to work with the remaining 34% 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 31/3/19	Balance as at 01/04/19 £	No. of schools as at 31/3/20	Balance as at 01/04/20 £	No. of schools as at 31/3/21	Balance as at 01/04/21 £
Nursery & Primary schools	21	742,769	20	572,852	19	532,890
Secondary schools	2	1,497,639	2	764,873	2	1,824,317
Special schools	2	14,424	1	10,394	0	0
Total	25	2,254,887	23	1,348,119	21	2,357,207

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 2019/20 figures in the table below.

Sector	Balance as at 01/04/20 Restated £	Balance as at 01/04/21 £
Nursery & Primary schools	572,852	532,890
Secondary schools	764,873	1,822,164
Special schools	0	0
Total	1,337,724	2,357,207

- 6.5 Overall there has been an increase in capital balances, mostly relating to St Edmunds RC Secondary School. This mostly relates to a large Capital project that is expected to complete in 2021-22. The small reduction in Primary capital balances is due to works identified at the end of 2019-20 financial year being completed during 2020-21.

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 2021

Appendix 3: schools' capital balances and commitments at 31st March 2021

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:



APPENDIX 1

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 2021

DFE No.	Balance as @ 31/03/2020	% of 2019/20 Budget Share Allocation	School Name	2020/21 Budget Share	Analysis of Balance		Balance as @ 31/03/2021	% of 2020/21 Budget Share Allocation	Uncommitted as % of Budget Share Allocation	Committed as % of Budget Share Allocation
					Uncommitted	Committed				
PRIMARY & NURSERY SCHOOLS										
2008	310,458	12.34%	Copnor Primary	2,643,222	153,253	249,170	402,423	15.22%	5.80%	9.43%
3420	47,205	3.74%	Corpus Christi Catholic Primary	1,274,664	49,848	65,000	114,848	9.01%	3.91%	5.10%
2689	86,185	4.28%	Cottage Grove Primary	2,059,990	33,500	58,005	91,505	4.44%	1.63%	2.82%
2716	207,097	12.02%	Craneswater Junior	1,812,578	283,320	18,000	301,320	16.62%	15.63%	0.99%
2665	66,587	8.93%	Cumberland Infant	766,799	22,518	58,429	80,946	10.56%	2.94%	7.62%
2648	66,586	7.46%	Devonshire Infant	931,288	587	110,000	110,587	11.87%	0.06%	11.81%
2714	246,010	16.46%	Fernhurst Junior	1,518,271	87,055	208,095	295,150	19.44%	5.73%	13.71%
2637	77,809	10.32%	Bramble Infant & Nursery	735,496	43,953	14,000	57,953	7.88%	5.98%	1.90%
2719	47,392	4.64%	Manor Infant	1,062,125	4,162	(7,743)	(3,580)	-0.34%	0.39%	-0.73%
2673	86,356	8.99%	Medina Primary	991,719	105,339		105,339	10.62%	10.62%	
2006	202,193	11.02%	Milton Park Primary	1,854,257	366,441	17,332	383,773	20.70%	19.76%	0.93%
2765	432,575	19.86%	Portsdown Primary	2,151,942	403,819	(9,734)	394,085	18.31%	18.77%	-0.45%
2680	84,015	10.42%	Southsea Infant	863,166	150,496	5,000	155,496	18.01%	17.44%	0.58%
3214	141,921	8.75%	St Georges Beneficial C of E Primary	1,666,136	121,388		121,388	7.29%	7.29%	
3422	337,901	31.55%	St John's Catholic Primary	1,079,241	330,732	696	331,428	30.71%	30.64%	0.06%
3212	167,575	10.57%	St Jude's C of E Primary	1,658,907	73,128	99,801	172,928	10.42%	4.41%	6.02%
5207	229,684	13.29%	St Pauls Catholic Primary	1,638,330	211,218	44,891	256,109	15.63%	12.89%	2.74%
3423	97,306	8.06%	St Swithuns Catholic Primary	1,243,503	157,763	(1,714)	156,049	12.55%	12.69%	-0.14%
2699	89,324	10.64%	Wimborne Infant							
					<i>Amalgamated on 31/08/2020 to form Wimborne Primary</i>					
2705	304,086	21.84%	Wimborne Junior							
					<i>Amalgamated on 31/08/2020 to form Wimborne Primary</i>					
2013			Wimborne Primary	2,336,845	598,836	3,608	602,444	25.78%	25.63%	0.15%
	3,328,266		Total Primary & Nursery	28,288,480	3,197,356	932,835	4,130,191	14.60%	11.30%	3.30%
SECONDARY SCHOOLS										
4303	(112,054)	-1.78%	Mayfield Secondary	6,743,480	27,807	(8,183)	19,624	0.29%	0.41%	(0.12%)
5413	914,049	16.78%	St Edmunds Catholic Secondary	5,858,558	682,382	176,460	858,842	14.66%	11.65%	3.01%
	801,995		Total Secondary	12,602,038	710,189	168,276	878,465	6.97%	5.64%	1.34%
SPECIAL SCHOOLS										
7472	(25,843)	-0.53%	Harbour							
	(25,843)		Total Special							
	3,328,266			28,288,480	3,197,356	932,835	4,130,191	14.60%	11.30%	3.30%
	801,995			12,602,038	710,189	168,276	878,465	6.97%	5.64%	1.34%
	(25,843)									
	4,104,418			40,890,518	3,907,545	1,101,112	5,008,656	12.25%	9.56%	2.69%

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

APPENDIX 3
SCHOOLS CAPITAL BALANCES AS AT 31 MARCH 2021

Balance as @ 31/03/2020		Balance as @ 31/03/2021	Spending Plan	Description of Plan	Projected Balance
PRIMARY & NURSERY SCHOOLS					
11,210	Copnor Primary		20,000	Car Park gates	
		8,261	20,000		(11,739)
233	Corpus Christi RC Primary				
		233	0		233
17,288	Cottage Grove Primary				
		20,648	0		20,648
(28,375)	Craneswater Junior				
		(31,742)	0		(31,742)
40,197	Cumberland Infant		8,000	Phase 2 Heating Upgrade	
			8,166	Roof Works	
			5,300	Ground works	
		35,111	21,466		13,645
2,211	Devonshire Infant		1,719	IT Computer Project to roll forward to 21/22	
		1,719	1,719		(0)
					0
10,411	Fernhurst Junior		11,906	The third contribution to LA Capital Works to Gable Ends	
		6,386	11,906		(5,520)
23,341	Bramble Infant & Nursery				
		21,120	0		21,120
37,781	Manor Infant				
		23,427	0		23,427
3,120	Medina Primary				
		9,427	0		9,427
764	Milton Park Primary				
		4,630	0		4,630
59,068	Portsmouth Primary		48,000	Estimated contribution to Boiler Condition works delayed on 21/22	
			2,000	Ongoing Roof repairs	

Balance as @ 31/03/2020		Balance as @ 31/03/2021	Spending Plan	Description of Plan	Projected Balance
			20,000	Children's and Staff toilet areas	
			10,000	Staff room and reception area	
		54,018	80,000		(25,982)
1,222	Southsea Infant		0		
		(8,412)	0		(8,412)
53,364	St Georges Beneficial Primary				
		28,717	0		28,717
278,823	St Johns RC Primary		61,387	Playground refurbishment	
			50,000	Roof repairs	
			25,000	Toilet refurbishment	
		250,369	136,387		113,982
51,120	St Jude's CE Primary		8,000	Girls downstairs toilets - ground floor	
			2,000	Accessibility - part H&S improvement	
		40,669	10,000		30,669
11,073	St Paul's RC Primary		4,924	Salix Loan Repayment	
			14,992	IT Equipment	
			27,500	Maintenance project throughout school premises	
			25,000	Dining room furniture	
		37,842	72,416		(34,574)
0	St Swithun's RC Primary		0		
		0	0		0
0	Wimborne Infant		0		
		0	0		0
0	Wimborne Junior		0		
		0	0		0
0	Wimborne Primary		33,748	PO2965994 Walkway	
			10,486	Groundworks for Walkway	

Balance as @ 31/03/2020		Balance as @ 31/03/2021	Spending Plan	Description of Plan	Projected Balance
			20,154	Pointing	
		30,468	64,388		(33,920)
572,852	Total Primary	532,890	418,282		114,608

SECONDARY SCHOOLS

3,794	Mayfield		28,795	Purchase of new minibus	
		30,948	28,795		2,153
761,079	St Edmunds RC		1,011,488	New build - food Tech/Textiles	
			270,696	Capital works General / Contingency	
			388,559	Wright Block	
			77,626	Student Toilet refurb	
			45,000	LLRC Refurb	
		1,793,369	1,793,369		(0)
764,873	Total Secondary	1,824,317	1,822,164		2,153

SPECIAL SCHOOLS

10,394	The Harbour School			Converted to Academy 31/12/2020	
		0	0		0
10,394	Total Special	0	0		0

SUMMARY

572,852	Primary Schools	532,890	418,282		114,608
764,873	Secondary Schools	1,824,317	1,822,164		2,153
10,394	Specials Schools	0	0		0
1,348,118		2,357,207	2,240,446		116,761