

Title of meeting:	Schools Forum
Subject:	Local Authority Maintained School Balances as at 31 March 2022
Date of meeting:	13 July 2022
Report by:	Sarah Daly, Director, Children, Families and Education
Wards affected:	All Wards

1 Requested by

- 1.1. Schools Forum

2 Purpose

- 2.1 The purpose of this report is to inform Schools Forum of the level of Local Authority maintained schools' revenue and capital balances as at 31 March 2022

3 Information Requested

- 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 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 2021-22, schools allocated some £1.623m of revenue funding to capital purposes (compared to £1.526m in 2020-21).
- 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 31/3/20	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	No. of schools as at 31/3/22	Balance as at 01/04/22 £	% of 2021/22 budget allocation
Nursery & Primary schools	20	3,328,266	12.04	19	4,130,191	14.60	16	3,580,452	12.02
Secondary schools	2	801,995	6.83	2	878,465	6.97	2	847,344	6.16
Special schools	1	(25,843)	(0.53)	0	0	0	0	0	0
Total	23	4,104,418	9.16	21	5,008,656	12.25	18	4,427,796	10.17

- 4.2. Since presenting the balances report last year, Corpus Christi Primary, Milton Park Primary and Cottage Grove Primary have converted to Academy status with a surplus balance.
- 4.3. To provide a consistent comparison between 2020/21 and 2021/22, the balance for these schools have been excluded from the restated 2020/21 figures in the table below

Sector	Balance as at 01/04/21	% of 2020/21 budget allocation	Balance as at 01/04/22	% of 2021/22 budget allocation
Nursery & Primary schools	3,923,838	16.99	3,580,452	12.02
Secondary schools	878,465	6.97	847,344	6.16
Special schools	0	0	0	0
Total	4,802,303	13.45	4,427,796	10.17

- 4.4. It is important to note that the total schools' balances of £4.4m as at 1 April 2022 include £0.131m (£0.104m 2020/21) of community related balances e.g., Community Improvement Partnerships, community lettings, breakfast and after school clubs etc. leaving £4.3m (£4.9m 2020/21, including schools which have since converted to academy status) of "curriculum" balances relating to core activity. Of this, a further £0.8m (£1.1m 2020/21) has been committed to specific projects or initiatives, leaving a balance of £3.5m, or 8% of the 2021/22 budget allocation, as genuinely uncommitted. This exceeds the CIPFA guideline of between 2-3% of budget for uncommitted balances.

- 4.5. Overall, 61% (11) of schools saw an increase in their balances when compared to 2020-21, this is lower than the previous year, when 71 % of schools saw an increase in balances.
- 4.6. Of the seven schools that saw a decrease in balances, three had balances in excess of 10% of their budget share and are not of concern. One has a balance that is in excess of 8% of their budget share and the authority will work with the school at the termly visits to support them in maintaining their balances. The remaining three schools form part of the reducing balance review as set out in Section 5.
- 4.7. As at 31 March 2021, there was one school in deficit - Manor Infant School. Whilst the school produced a recovery plan which showed the school returning to a surplus position in 2021-22, at the end of 2021-22 the school remained in deficit. The authority is in discussion with the school regarding the deficit balance and the school has produced a recovery plan which is in the process of being reviewed.

5 Review of Specific School Balances

- 5.1 The school revenue balances as at 31st March 2022 are shown by school at Appendix 2. Whilst the number of schools with reducing or low balances remains low, 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 2020-21, two schools were identified as meeting the above criteria: by the end of 2021-22:
 - Bramble Infant and Nursery has seen an increase in their balances, which are now 9.33% of their budget share.
 - Manor Infant's deficit has increased.
- 5.5 As at 31 March 2021-22 there are three schools that meet the reducing balances criteria (para.5.3), all schools have been contacted and have responded to the authority confirming:
 - Manor Infant has produced a recovery plan which has been agreed by governors and is being reviewed by the authority

- St George's Beneficial C of E Primary have confirmed that they are aware of the reduction in balances and that they have formulated a plan to manage the schools expenditure to stop the school going into deficit.
- St Swithun's Catholic Primary, the decrease in balances related to the additional costs of staffing and supply cover related to sickness. The school is aware of the pressure but have not indicated if they are taking any action.

Excessive balances

- 5.6 The Scheme for Financing Schools categorises Primary & Special Schools who have uncommitted balances of more than 8% of budget share as having excessive balances. For Secondary Schools, the threshold is 5% of budget share.
- 5.7 Of the eight Primary schools with uncommitted balances over 8%, five have balances between 10% and 20% and two have uncommitted balances over 20% and had balances of over 20% in 2020-21.
- 5.8 For Secondary Schools, one had uncommitted balances of more than 5% of the budget share at 14.7% of the budget share.
- 5.9 Analysis of the reasons for the high balances are set out below.

St John's Catholic Primary

- 5.10 St John's year end balances have increased by £20,005 from £331,428 at the end of March 2021 to £351,433 at the end of March 2022. The school has indicated that £3,000 of their balance is committed, with £348,433 being uncommitted.
- 5.11 With regards to the uncommitted balance of £348,433, this equates to 30.50% of the school's budget share.
- 5.12 The Governing Board have had two projects outstanding since 2019-20 which have been carried forward to future years following delays due to the national lockdowns. To date, the refurbishment of the playground is yet to start following difficulties in finding a suitable contractor. The project to maintain the flat roof and replace the roofing tiles was delayed for similar reasons, but the school are expecting this to be completed this year. There are no other plans or commitments brought forward from previous years.
- 5.13 The school has identified that they are continuing to manage within their annual budget and had a small surplus at the end of 2021-22 of approximately 1.5% of the budget share. They are planning to utilise their balances to support two large projects. They are conscious of several uncertainties regarding future funding against their wish to continue to support pupils with the post-Covid catch-up and are retaining the balances to support any related one off, short term expenditure.

Wimborne Primary School

- 5.14 Wimborne Primary School year end balances have increased by £29,357 from £598,836 at the end of March 2021 to £631,801 at the end of March 2022. The

school has indicated that £19,312 of their balance is committed, with £612,489 being uncommitted.

5.15 With regards to the uncommitted balance of £612.489, this equates to 26.65% of the school's budget share.

5.16 In 2021-22 the school had committed to using part of the balances to support several capital projects over the next three years with two projects expected to be completed in 2021-22. Of these projects the Walkway and ground works have been completed and the pointing of the brickwork is expected to be completed in 2022-23. The school is expecting to use £111,000 of the balances to support further projects in 2022-23 including:

- Playground resurfacing
- Trim Trail resurfacing
- Fencing and gates.

5.17 The authority continues to work with all schools 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 and maintain 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 31/3/20	Balance as at 01/04/20 £	No. of schools as at 31/3/21	Balance as at 01/04/21 £	No. of schools as at 31/3/22	Balance as at 01/04/22 £
Nursery & Primary schools	20	572,852	19	532,890	16	464,657
Secondary schools	2	764,873	2	1,824,317	2	2,549,241
Special schools	1	10,394	0	0	0	0
Total	23	1,348,119	21	2,357,207	18	3,013,898

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

6.4 As with the revenue balances, 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 2020/21 figures in the table below.

Sector	Balance as at 01/04/21 Restated £	Balance as at 01/04/22 £
Nursery & Primary schools	507,378	464,657
Secondary schools	1,822,164	2,549,241
Special schools	0	0
Total	2,331,695	3,013,898

6.5 Overall, there has been an increase in capital balances, mostly relating to St Edmund's RC Secondary School. This mostly relates to a large capital project that is expected to complete in 2022-23. The small reduction in Primary capital balances is due to works identified at the end of 2020-21 financial year being completed during 2021-22.

7 Reasons for recommendations

7.1 This report is for information only and Schools Forum are asked to note the contents of the report

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 Signed by Sarah Daly, Director, Children, Families and Education.

Appendices:

Appendix 1: extracts from the current Scheme for Financing Schools

Appendix 2: schools' revenue balances at 31 March 2022

Appendix 3: schools' capital balances and commitments at 31 March 2022

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



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.

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APPENDIX 2

SCHOOLS REVENUE BALANCES AS AT 31 MARCH 2022

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

DFE No.	Balance as @ 31/03/2021	% of 2020/21 Budget Share Allocation	School Name	2021/22 Budget Share	Analysis of Balance		Balance as @ 31/03/2022	% of 2021/22 Budget Share Allocation	Uncommitted as % of Budget Share Allocation	Committed as % of Budget Share Allocation
					Uncommitted	Committed				
PRIMARY & NURSERY SCHOOLS										
2008	402,423	15.22%	Copnor Primary	2,848,817	357,383	148,332	505,715	17.75%	12.54%	5.21%
3420	114,848	9.01%	Corpus Christi Catholic Primary	1,304,762	<i>Transferred to academy 01/04/21</i>					
2689	91,505	4.44%	Cottage Grove Primary	2,182,779	<i>Transferred to academy 01/01/22</i>					
2716	301,320	16.62%	Craneswater Junior	1,974,944	330,564		330,564	16.74%	16.74%	
2665	80,946	10.56%	Cumberland Infant	801,278	81,440	56,348	137,787	17.20%	10.16%	7.03%
2648	110,587	11.87%	Devonshire Infant	979,536	3,073	118,956	122,029	12.46%	0.31%	12.14%
2714	295,150	19.44%	Fernhurst Junior	1,614,863	172,470	172,674	345,144	21.37%	10.68%	10.69%
2637	57,953	7.88%	Bramble Infant & Nursery	822,294	62,759	14,000	76,759	9.33%	7.63%	1.70%
2719	-3,580	-0.34%	Manor Infant	1,178,179	-3,805	-14,450	-18,255	-1.55%	-0.32%	-1.23%
2673	105,339	10.62%	Medina Primary	1,034,888	62,325	21,500	83,825	8.10%	6.02%	2.08%
2006	383,773	20.70%	Milton Park Primary	1,900,507	<i>Transferred to academy 01/01/22</i>					
2765	394,085	18.31%	Portsdown Primary	2,212,407	401,353	-3,013	398,339	18.00%	18.14%	-0.14%
2680	155,496	18.01%	Southsea Infant	897,567	64,253	69,060	133,313	14.85%	7.16%	7.69%
3214	121,388	7.29%	St Georges Beneficial C of E Primary	1,727,880	54,377		54,377	3.15%	3.15%	
3422	331,428	30.71%	St John's Catholic Primary	1,142,536	348,433	3,000	351,433	30.76%	30.50%	0.26%
3212	172,928	10.42%	St Jude's C of E Primary	1,802,711	95,142	82,118	177,260	9.83%	5.28%	4.56%
5207	256,109	15.63%	St Paul's Catholic Primary	1,643,029	163,816	12,036	175,852	10.70%	9.97%	0.73%
3423	156,049	12.55%	St Swithun's Catholic Primary	1,319,970	74,509		74,509	5.64%	5.64%	
2013	602,444	25.78%	Wimborne Primary	2,388,236	612,489	19,312	631,801	26.45%	25.65%	0.81%
	4,130,191		Total Primary & Nursery	29,777,184	2,880,580	699,872	3,580,452	12.02%	9.67%	2.35%
SECONDARY SCHOOLS										
4303	19,624	0.29%	Mayfield Secondary	7,439,198	30,137	33,133	63,271	0.85%	0.41%	0.45%
5413	858,842	14.66%	St Edmunds Catholic Secondary	6,313,401	715,073	69,000	784,073	12.42%	11.33%	1.09%
	878,465		Total Secondary	13,752,599	745,211	102,133	847,344	6.16%	5.42%	0.74%

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	SPECIAL SCHOOLS									
	All Special schools have converted to Academy Status									
	4,130,191	Primary	29,777,184	2,880,580	699,872	3,580,452	12.02%	9.67%	2.35%	
	878,465	Secondary	13,752,599	745,211	102,133	847,344	6.16%	5.42%	0.74%	
		Special								
	5,008,656		43,529,783	3,625,791	802,005	4,427,796	10.17%	8.33%	1.84%	

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APPENDIX 3

SCHOOLS CAPITAL BALANCES AS AT 31 MARCH 2022

Balance @ 31 March 2022		Balance @ 31 March 21022	Spending Plan	Description of Plan	Projected Balance
PRIMARY & NURSERY SCHOOLS					
8,261	Copnor Primary		20,280	Car Park gates PO3005212	
			70,000	covering walkway between KS1 & KS2	
			13,598	Replace roof on shed in lodge garden	
		20,281	103,878		(83,597)
233	Corpus Christi RC Primary			Converted to Academy 1/04/2021	
		0	0		0
20,648	Cottage Grove Primary			Converted to Academy 1/01/2022	
		0	0		0
(31,742)	Craneswater Junior		0		
		(26,986)	0		(26,986)
35,111	Cumberland Infant		8,000	Phase 2 Heating Upgrade	
			12,000	Roof Works	
		8,063	20,000		(11,937)
1,719	Devonshire Infant		4,875	Balance of £4,875 to roll forward to 2020/23 after LA capital contribution of £2,925 has been claw back relation to the Boundary Wall Repair Project	
		4,844	4,875		(31)
					0
6,386	Fernhurst Junior		2,401	Contribution to playground wall renovation	
		2,401	2,401		(0)
21,120	Bramble Infant & Nursery		18,365	Schedule of works in school capital plan	
		18,366	18,365		1

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Balance @ 31 March 2022		Balance @ 31 March 21022	Spending Plan	Description of Plan	Projected Balance
23,427	Manor Infant		0		
		3,982	0		3,982
9,427	Medina Primary		0		
		9,427	0		9,427
4,630	Milton Park Primary		0	Converted to Academy 1/01/2022	
		0	0		0
54,018	Portsmouth Primary		25,500	Estimated contribution boiler works (Capital programmer) Delayed	
			7,000	Additional cost following Boiler works removing Gas equipment	
			10,000	Ongoing roof repairs	
			20,000	Children & Staff toilet areas	
			10,000	Staffroom & Reception areas	
			20,000	Nursery ramp replacement	
		44,504	92,500		(47,996)
(8,412)	Southsea Infant		0		
		(14,482)	0		(14,482)
28,717	St Georges Beneficial Primary				
		33,052	0		33,052
250,369	St Johns RC Primary		50,000	Playground refurbishment	
			2,712	Roof repairs (skylights)	
			2,743	Playground privacy screening	
			14,658	Pathway resurfacing	
			3,300	Outbuilding roof repairs	
			9,000	Cycle shelter	
		221,263	82,413		138,850
40,669	St Jude's CE Primary				
		30,436	0		30,436

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Balance @ 31 March 2022		Balance @ 31 March 21022	Spending Plan	Description of Plan	Projected Balance
37,842	St Paul's RC Primary		10,100	Nursery Loan repayment	
			11,000	Playground Equipment	
			14,850	IT Equipment	
			9,850	Salix Loan repayment	
			7,000	Staff Room Refurbishment	
		8,213	52,800		(44,587)
0	St Swithun's RC Primary		0		
		0	0		0
30,468	Wimborne Primary		10,077	Pointing	
			37,387	Playground resurfacing	
			32,682	Trim trail resurfacing	
			11,115	Fencing & gates	
		101,294	91,261		10,033
532,890	Total Primary	464,657	468,493		(3,836)
SECONDARY SCHOOLS					
30,948	Mayfield				
		(49,183)	0		(49,183)
1,793,369	St Edmunds RC		2,415,986	New Art Block project 2022/23	
			111,787	Capital works general/contingency	
			14,078	Wright Block retention fee	
		2,598,424	2,541,851		56,573
1,824,317	Total Secondary	2,549,241	2,541,851		7,390
SPECIAL SCHOOLS					
<i>All Special Schools have converted to academy status</i>					
0	Total Special	0	0		0
SUMMARY					
532,890	Primary Schools	464,657	468,493		(3,836)
1,824,317	Secondary Schools	2,549,241	2,541,851		7,390

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Balance @ 31 March 2022	Special Schools	Balance @ 31 March 21022	Spending Plan	Description of Plan	Projected Balance
<u>0</u>		<u>0</u>	<u>0</u>		<u>0</u>
2,357,207		3,013,898	3,010,344		3,554