



## SCHOOLS FORUM

### 2015/16 Maintained School Balances

5 October 2016

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	
Academies		Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies	X	Secondary	X
Local Authority	X	Post 16	
		High Needs	

#### Purpose of Report

Content Requires;		By;	
Noting	X	Maintained Primary School Members	X
Decision		Maintained Secondary School Members	X
		Maintained Special School Members	X
		Academy Members	
		All Schools Forum	

1. This report sets out the position in regard to school balances for all schools that were maintained by the local authority on March 31 2016 and the 2015/16 financial year.

#### Recommendation

2. That Schools Forum note the position on the 2015/16 school balances for local authority maintained schools.

#### Introduction

3. This report presents the annual position on school balances, it provides that information at individual school level for each school maintained by Leicestershire County Council on March 31<sup>st</sup> 2016.

4. Whilst local authorities are required to report maintained school balances there is no such requirement for the Education Funding Agency (EFA) to do the same for academies, concerns have been raised about the lack of visibility of the financial position of academies. Academies are required however to publish an annual statement of accounts which can be 6 -9 months after the financial year closure. Different financial years for maintained schools and academies do not allow for easy comparison if additional information were to be made available.
5. For the 285 schools in Leicestershire this report relates to 137 (48%). This can be broken down into 57% primaries, 4% secondary's, 62% special with the addition of 1 maintained nursery and 1 pupil referral unit.
6. With a large number of academies in Leicestershire, and the limited financial information publicly available, it is not possible for the local authority to have an overview of their financial health and the issues affecting their financial position. During 2015/16 the local authority sought high level financial information from both primary and secondary academies, whilst this has been informative from a perspective of identifying financial pressures it has not, and could not have, identified the level of reserves within academies.

### **Background**

7. School balances are only able to be formally measured by the local authority at the closure of the financial year. Balances are taken from the Consistent Financial Reporting return submitted by individual schools to the local authority.
8. Reporting locally is the first stage of publication of school balance information. Once all school returns are consolidated that information is submitted to the Department for Education (DfE) who subsequently publish that information on a national basis at both local authority and individual school level.
9. Schools Forum agreed at its meeting on June 20 2013 to remove the mechanism for controlling maintained school revenue balances given no such mechanism exists for academies, however national controls remain on Devolved Formula Capital (DFC) which remains limited to use over three years.

### **2015/16 School Balances**

10. The analysis of school balances is shown in Appendix 1. The figures include all schools that were local authority maintained schools for the full financial year i.e. between 1 April 2015 and 31 March 2016.
11. Given the exclusion of balances for converted academies during 2015/16 the balances reported here will not match those reported at the end of 2014/15 but the comparison between years is valid.
12. The total level of maintained school balances at 31<sup>st</sup> March 2016 was £12.24m which shows an increase of £2.35m from the comparative 2014/15 position of £9.9m. The gross revenue position of £11.4m again is an increase from the 2014/15 position of £9.1m.
13. Overall 83% of maintained primary schools have balances over 5%. For secondary schools the low number of schools makes any comparison of the financial position in each phase unreliable.

	<b>Primary</b>	<b>Secondary</b>
Deficit	3 (2%)	2
Surplus 0% - 1%	2 (2%)	-
Surplus 1.1% - 3%	5 (4%)	-
Surplus 3.1% - 5%	10 (8%)	-
Surplus 5.1% - 8%	17 (13%)	-
Surplus 8.1% +	91 (71%)	-
<b>Total</b>	<b>128</b>	<b>2</b>

13. No percentage figure is available for special schools. National school funding reform implemented in 2013 means that special schools no longer have a fixed budget against which the level of balances can be compared. Special schools are funded at a place rate of £10,000 per place and top-up funding for each occupied place which is dependent on the needs of individual children for the time they are on roll.
14. Care needs to be taken when analysing school balances as they only show a position at a single point in time. It is the responsibility of the governing body to set a school budget that does not exceed the funding available, the finance team analyse the budget intention returns from schools to identify whether any of the schools currently reporting a surplus expect to move to deficit and if necessary that those schools are operating with an appropriate and agreed deficit recovery plan. The local authority has limited tools to undertake this type of exercise and is fully dependent upon schools sharing accurate and timely information and responding to requests for information, unfortunately this is often not the case. The local authority however is not responsible for monitoring school budgets, that responsibility is clearly delegated to governing bodies.
15. The finance service works pro-actively with schools in, or at risk of, a deficit budget and schools must gain local authority approval for any deficit and within that process must identify the actions to be taken to ensure the school returns to a balanced budget.
16. Where a maintained school is in a deficit position the local authority will agree a deficit recovery plan that minimises any negative impact on school performance which may result in a school being in a deficit position for a number of years. In such instances the finance service rigorously monitors the financial position of the school and to ensure the actions agreed to reduce expenditure are implemented, including the issue of a Financial Notice of Concern where appropriate.

### **Balance Control Mechanism**

17. Schools Forum removed the mechanism for controlling schools balances when approving The Scheme for Financing Schools at its meeting on 20 June 2013 given that no such scheme exists for academies. The finance service requested

information from all schools with revenue balances in excess of 10% to determine how they are being used, a number of schools haven't provided information. From the information available schools are stating a number of reasons for holding funding. The largest amounts held are to smooth out cost increases and particularly staffing costs, for land & building works and ICT investments

### **School Funding and Financial Management**

18. School balances are unable to be taken into account by local authorities in determining funding arrangements for schools. There is no correlation between the level of balances to any of the funding formula factors, school performance, type of school, location of school, levels of deprivation etc. The reasons for deficits are varied and are unique to individual schools.
19. There are some concerns within the finance team on the level of financial information presented to governors upon which financial decisions are based and the level of financial challenge from governors.
20. Anecdotal information from secondary schools continues to suggest a worsening financial position across the sector, falling rolls as a result of school re-organisation and the impact of reduced post 16 funding settlements are being reported by a number of secondary schools as having an adverse financial impact.

### **Conclusions**

21. Whilst the information in this report is presented to Schools Forum to note, it isn't possible to form any conclusion from it on the financial health of schools in Leicestershire. The data covers less than 50% of schools and contains little information on secondary schools.
22. Balance information is a snapshot in time and as such provides no information on how funding will be deployed or whether resources have been accumulated for particular reasons. A school budget provides the resources to provide for pupils over the period for which it is allocated, however schools should at all times plan over a 3 – 5 year period. Employing effective strategic financial management techniques may therefore result in either a surplus or a deficit that will not be a reflection of financial health.

### **Resource Implications**

23. Resource implications are included throughout this report.

### **Equal Opportunity Issues**

24. Non arising directly from this report

### **Background Papers**

None

### **Officer to Contact**

Jenny Lawrence

Finance Business Partner – Children and Family Services

Email; [jenny.lawrence@leics.gov.uk](mailto:jenny.lawrence@leics.gov.uk)

Tel: 01163056401

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