



SCHOOLS FORUM

2013/14 School Balances

18 September 2014

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	
<p>‘X’ denotes what actions are required and the groups of members that are able enact the recommendations within the report.</p> <p>Where information is targeted at a particular group of Schools Forum it does not preclude other members from participating in debate.</p>			

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 2013 and the 2013/14 financial year.

Recommendation

2. That Schools Forum note the position on the 2013/14 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.

Background

4. 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.
5. 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.
6. Whilst this report presents the position for maintained schools, information on the financial position of academies is not published in the same manner. The DfE publish the individual statutory financial statements for academies, the information is difficult to locate, does not allow an easy view on unspent funds and is not brought together in a manner in which it would be possible to ascertain the overall financial performance of academies in a particular location.
7. Whilst Schools Forum agreed at its meeting on June 20 2013 to remove the mechanism for controlling school revenue balances, national controls remain on Devolved Formula Capital (DFC) which remains limited to use over three years.

2013/14 School Balances

8. 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 April 1 2012 and March 31st 2014 except those converting to academy status on 1st April, for these schools although balances remain with the local authority on March 31st and are included in the balances reported nationally by the Department for Education (DfE) they have been excluded from the report. Schools that have converted to academies up between April and July are denoted on the report.
9. Given the exclusion of balances for converted academies during 2013/14 the 2012/13 balances reported here will not match those reported at the end of 2012/13 but the comparison between years is valid as it includes schools maintained for the full financial year.
10. The total level of all school balances at 31st March 2014 was £8.3m which is an increase of £1.6m (23%) from the comparative 2012/13 position. The gross revenue position is an increase of £2.8m (41%).
13. Overall % of primary schools have balances over 3%, the position in secondary schools shows % in that position;

	Primary	Secondary	Special
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Deficit	9 (6%)	5 (72%)	1 (33%)
Surplus 0% - 1%	2 (1%)		
Surplus 1.1% - 3%	21 (14%)	1 (14%)	
Surplus 3.1% - 5%	19 (13%)	1 (14%)	
Surplus 5.1% - 8%	33 (22%)		2 (67%)
Surplus 8.1% +	67 (44%)		
Total	151	7	3

14. Care needs to be taken when analysing school balances as they show a position at a single point in time. Whilst it is the responsibility of the governing body to set a school budget, the finance team will continue to 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 agreed deficit recovery plan. As discussed at previous the finance service has limited tools to undertake this type of exercise and is dependent upon schools sharing accurate information. Once this exercise is completed the finance service is totally dependent upon schools to raise concerns over their financial position if unplanned events occur.
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 revert the school to a balanced budget.

Balance Control Mechanism

16. Schools Forum removed the mechanism for controlling schools balances when approving The Scheme for Financing Schools at its meeting on 20 June 2013. Had the scheme remained in place at 8% for primary schools, funding totalling £2.5m would have been reclaimed from 77 schools. Had the limit been 10% £1.5m would have been reclaimed from 53 primaries. It is unclear whether the position would have been different had a mechanism been in place. By its very application a control scheme changes school behaviour for example if a school was likely to be in breach of the limit they could purchase supplies and equipment during March instead of in April.
17. The local authority has discussed the issue of school balances with the Schools Forum annually. A reduction in balances occurred between 2011/12 and 2012/13 which has been the only recent overall reduction. The rise in revenue balances held by primary schools is alarming and at 41.7% significant. The school budget is made available to meet the education needs for the pupils on roll in that year. The local authority will align school performance data and the attainment gap at each school with excessive balances, LEEP will receive this information and consider any actions that may be necessary where a primary school may have excessive balances and under performance.
18. The analysis of the 2014/15 Leicestershire school funding formula identified that the pupil led funding within primary schools was lower than similar authorities yet 100

(66%) of schools had revenue balances in excess of 5% at 31st March. Primary schools have declared that £8.1m of revenue was uncommitted at year end, it is uncertain how much of this funding has been used by those schools to support 2014/15 budgets, the local authority will ask a sample of schools to declare how much of their carry forward being used for this purpose. It is imperative that schools use the funding they have in their budgets is to support the pupils on roll for that year and that the additional funding that Leicestershire schools will receive in 2015/16 is used to deliver an effective education for the children that generate

Resource Implications

19. Resource implications are included throughout this report. However the unused resources sitting at individual school level give rise for concern, especially given the overall financial schools allocation to Leicestershire and the recognition for 2015/16 that Leicestershire and its schools are one of the least fair funded authority and will receive additional funding. The focus of the allocation of the additional funding is the primary Age Weighted Pupil Unit (AWPU) where analysis of local authority funding formula allocations show primary schools to be lower funded than those in similar authorities. An increase in revenue balances and this position are difficult to reconcile.

Equal Opportunity Issues

20. Non arising directly from this report

Background Papers

None

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