

FLINTSHIRE COUNTY COUNCIL

REPORT TO: LIFELONG LEARNING OVERVIEW & SCRUTINY
COMMITTEE
DATE: THURSDAY, 6 DECEMBER 2012
REPORT BY: DIRECTOR OF LIFELONG LEARNING
SUBJECT: SCHOOL BALANCES

1.00 PURPOSE OF REPORT

The purpose of this report is to inform Scrutiny members of the year end balances of Flintshire Schools and to outline the action being taken by officers to ensure that balances are maintained at an acceptable level.

2.00 BACKGROUND

- 2.01 Appendix 1 shows the balances for each school in Flintshire as at the end of March 2012.
- 2.02 The overall position for Flintshire schools shows a decrease in net surplus balances from £3.402m in March 2011 to £3.113m in March 2012, a decrease of £289k in overall balances.
- 2.03 Secondary School balances have decreased by £318k with a range of balances from a surplus of £192k (Harwarden High School) to a deficit of £208k (Holywell High School). Holywell High School's deficit has increased by £42k compared with the previous year.
- 2.04 Primary School balances have increased by £121k. The range of balances is between a surplus of £121k (Ysgol Gwenffrwd) to a deficit of £42k (Sychdyn CP). There were 10 primary schools with deficits totalling £164k compared to March 2011 when there were 9 schools with deficits totalling £127k.
- 2.05 Specialist school balances have increased by £7k.
- 2.06 The Scheme for Financing Schools (section 4 – Treatment of Surpluses and Deficits) was revised in May 2012 to ensure that Authority has a robust approach to dealing with these matters. See Appendix 2. This was revised following extensive consultation with schools, School Budget Forum and Primary and Secondary Headteacher Federations.

2.07 **Scrutiny of surplus balances**

The revised Scheme for Financing Schools Section 4 states:

- (a) the Authority **may** direct the governing body as to how to spend a surplus in the school balance for a funding period, if–
 - (i) in the case of a primary school the surplus is £50,000 or more, and
 - (ii) in the case of a secondary school or a special school the surplus is £100,000 or more;
- (b) the Authority will, if the governing body do not comply with such a direction within an agreed timescale, require the governing body to pay all or part of that surplus to the authority to be applied as part of the Authority schools budget for the funding period in question.

2.08 At the end of March there were 18 primary schools with balances in excess of £50k (three of which had balances of over £100k). Two of the secondary schools had balances in excess of £100k.

2.09 As a consequence of the revised policy all schools must submit their spending plans to the Schools Accounting Team who will scrutinise the plans. Where schools have not submitted this information they are followed up by the Schools Accounting Team. In addition to support the process a standard proforma has been devised to assist schools and ensure that information is submitted in a standardised manner.

2.10 Any spending plans which are not considered acceptable by the Schools Accounting Team are referred to the Director.

Licensed Deficits

2.11 Governors have no legal right to set a deficit budget without the consent of the Local Education Authority and should not presume that such consent will be granted. However, the Authority will consider approving a licensed deficit to a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budgets in the current financial year. This will be funded from the collective surplus of school balances held by the Authority on behalf of schools.

2.12 The Authority has one school with a licensed deficit. Holywell High School is in the third year of a licensed deficit. The deficit has arisen due to falling school roles. The Schools Accounting Team has worked closely with the school over the period of the deficit and the school had planned to recover the deficit by the end of the financial year. Most recent forecasts indicate that this will not be achieved.

- 2.13 There are five primary schools with deficits as at March 2012 whose spending plans have been closely monitored by the Schools Accounting Team. Formal meetings with the Lifelong Learning Finance Manager are planned with any school showing cause for concern. Schools which are unable to recover a deficit in year will be instructed to apply for a licensed deficit in accordance with the Scheme for Financing Schools section 4.

3.00 CONSIDERATIONS

- 3.01 The School Funding (Wales) Regulations 2010 set out the limits to schools balances and the action which should be taken by the Local Authority.
- 3.02 The last Estyn inspection identified the following weakness:

'The authority's approach to dealing with school balances and deficits is neither well co-ordinated nor robust enough. The total amount of balances held by schools has increased by about a third between 2009 and 2010. At the end of March 2011, just over a third of Flintshire schools had reserves between 5% and 10%, and almost one-in-ten of schools had reserves over 10%. Thirteen per cent of schools have deficits in their budgets. There is insufficient challenge or timely holding to account of schools with large balances or deficits within year.'

4.00 RECOMMENDATIONS

Scrutiny members are asked to consider the Schools Balances for year ending March 2012.

5.00 FINANCIAL IMPLICATIONS

- 5.01 Funding which is tied up in balances is not being used to the benefit of current pupils.

6.00 ANTI POVERTY IMPACT

- 6.01 Balances could be utilised to mitigate the effect of deprivation in schools.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None.

8.00 EQUALITIES IMPACT

- 8.01 Failure to control school expenditure within budgets could have impacts for current and future pupils.

9.00 PERSONNEL IMPLICATIONS

9.01 Schools in deficit positions may need to reduce staffing levels and this may result in redundancy and/or redeployment.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 School Budget Forum

12.00 APPENDICES

12.01 Appendix 1 – List of school balances as at March 2012

12.02 Appendix 2 – Scheme for Financing Schools (Section 4)

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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