

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **LIFELONG LEARNING OVERVIEW & SCRUTINY COMMITTEE**

**DATE:**                 **THURSDAY, 14 NOVEMBER 2013**

**REPORT BY:**         **DIRECTOR OF LIFELONG LEARNING**

**SUBJECT:**             **SCHOOL BALANCES**

**1.00**   **PURPOSE OF REPORT**

This report sets out Flintshire school balances for year ending March 2013.

**2.00**   **BACKGROUND**

2.01    The School Funding (Wales) Regulations 2010 and Flintshire Scheme for Financing Schools set out the requirements relating to schools balances and the action which should be taken by Local Authorities:

(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 does 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.

2.02    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.

- 2.03 The balances for each school in Flintshire at the end of the financial year (31 March 2013) are attached at appendix 1.

The overall position for Flintshire schools shows a decrease in net surplus balances from £2.744m in March 2012 to £2.608m in March 2013, a decrease of £136k (5%) in overall balances. This equates to £114 per pupil in Flintshire compared to the Wales average of £154 per pupil. Overall in Wales there was an increase of 2.9% in school balances.

- 2.04 In February 2013 the Minister for Education wrote to all Leaders and Education portfolio holders regarding the level of surplus balances held by Welsh schools. He indicated that if the authorities did not demonstrate that they were taking appropriate action to reduce balances then he would consider using Welsh Ministers intervention powers to direct authorities to take action.

- 2.05 The level of surplus balances held by Flintshire was also a key focus of the Estyn inspection in February 2013 and they made the following comments in their inspection letter:

*Since the last inspection, the authority has put in place good systems to reduce school balances and deficits in line with legislative limits. Headteachers and members, through the schools' budget forum and the scrutiny committee, have agreed these. All primary schools with budget surpluses now submit spending plans to reduce these surpluses to the authority for approval. Projected figures indicate a significant reduction in the overall surplus by the end of March 2013. In addition, schools with budget deficits are required to apply to the local authority for a budget deficit licence and permission to plan a budget deficit requires a robust and approved budget recovery plan to be in place.*

- 2.06 Secondary School balances have increased from £354k in March 2012 to £529k in March 2013, an increase of £176k (49%). The range of balances is a surplus of £150k to a deficit of £131k. Two secondary schools have balances greater than £100k.

- 2.07 Primary School balances have decreased by £311k (14%). The range of balances is between a surplus of £91k to a deficit of £44k. There were 9 primary schools with deficits totalling £149k compared to March 2012 when there were 10 schools with deficits totalling £164k. There were 16 primary schools with balances greater than the £50k limit set by Welsh Government compared with 18 the previous year. The spread of primary school balances is shown in the table 1 below.

Table 1: Primary School Balances

Balances	Numbers	
	11/12	12/13
£50 - £59k	5	4
£60- £69k	6	5
£70- £79k	1	4
£80- £89k	2	1
£90- £100k	0	2
100k +	4	0
Total numbers	18	16

- 2.08 Specialist school balances have decreased by £3k.
- 2.09 All schools with excess balances have been asked to complete a spending plan. These have been submitted to the Schools Accounting Team who have scrutinised and challenged spending plans.
- 2.10 The Authority has two schools with a licensed deficit. The High School with a significant deficit has a pattern of falling school roles. The Authority has worked closely with the school leadership team and the Governors to assist them to manage their deficit but the financial management of the school remains extremely challenging.

### **3.00 CONSIDERATIONS**

- 3.01 The individual school balances will need to be considered as part of the impact assessment of the new schools funding formula review.

### **4.00 RECOMMENDATIONS**

- 4.01 Members are asked to consider the balances held by schools at the end of March 2013.

### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 Funding which is tied up in surplus balances is not being used to the benefit of pupils. Schools in deficit need to ensure that they have robust recovery plans in place.

### **6.00 ANTI POVERTY IMPACT**

- 6.01 Balances could be used 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 a deficit position may need to reduce staffing levels and this may result in redundancy 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 2013.

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

None.

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