

EDUCATION & YOUTH OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 3 rd December 2015
Report Subject	School Reserves as at the 31 March 2015
Cabinet Member	Cabinet Member for Education
Report Author	Chief Officer (Education and Youth)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides an analysis of the financial reserves held by schools in Flintshire as at the 31 March 2015.

The level of reserves held by Flintshire schools at the end of March 2015 was £2.358m, an increase of £231k (11%) in overall balances compared with the reserves held at the end of March 2014. In Flintshire this equates with £100 per pupil compared to the Wales average of £141 per pupil, ranking Flintshire the 5th lowest level of reserves per pupil in Wales.

The level of reserves as a percentage of the delegated budget was 2.75%, compared with 2.53% the previous year. However, members should note that based on current forecasts it is anticipated that the level of reserves will fall significantly in the current financial year.

RECOMMENDATIONS

1	Members are requested to note the school balances as at the 31 March 2015.
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REPORT DETAILS

1.00	EXPLAINING THE SCHOOL RESERVES REPORT
1.01	The analysis of reserves for each school in Flintshire as at the end of March 2015 is shown at appendix 1.
1.02	Secondary school reserves moved from a surplus balance of £115k in March 2014 to a deficit position of £115k in March 2015, a movement of £231k. Four secondary schools had negative reserves (i.e. deficit balances).
1.03	Primary school reserves have increased by £508k (30%). The level of reserves were 5.2% of the total delegated budget compared with 4.2% the previous year. It was noted that primary schools reigned in spending in the final quarter of the financial year amidst concerns about future funding reductions and this explains the increase in balances for primary schools. A similar pattern has been reported across Wales.
1.04	Primary school reserves ranged from a surplus of £105k (Bryn Gwalia) to a deficit of £31k (Croes Atti). There were 7 primary schools with deficit balances totalling £90k compared with 7 primary schools and £83k the previous year. There were 20 primary schools with balances greater than £50k compared with 10 schools in the previous year.
1.05	Surplus Balances In accordance with the Authority's policy schools must provide a statement on how they intend to use any surplus over the £50k for primary schools and over £100k for secondary schools and specialist schools. The Authority also requires a statement from schools as to the use that the governing body proposes to make of a surplus in the school balance which exceeds 5% of the school budget share or £10,000, whichever is the greater. The Schools Accounting Team request and scrutinise this information paying particular attention to those schools with balances over £50k/£100k.
1.06	Deficit Balances Governors have no legal right to set a deficit budget without the consent of the 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. Outside this provision, schools should ensure that total planned expenditure for the financial year should not exceed the budget share, adjusted by amounts carried forward from the previous financial year. The Authority has no power to write off the deficit balance of any school.

	<p>Deficit balances are carried forward every year by the deduction of the relevant amounts from the following year's budget share.</p> <p>The Authority has a licensed deficit guidance and procedure, which is attached at Appendix 2 for information.</p> <p>There are three secondary schools forecasting deficits in 2015/16. Two licensed deficit agreements (Maes Garmon and Holywell) are in place with a further agreement being negotiated (St Richard Gwyn).</p> <p>There are three primary schools who have formally applied to the Chief Education Officer for a licensed deficit and these have been approved (St Winfried's, Drury and St John's). There are a further three primary schools for which a licensed deficit application is required and schools have been requested to submit an application in accordance with the policy and guidance.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	The impact of continuing austerity measures on the financial resilience of schools is an area of concern. It is intended to make a temporary appointment to the Schools Accounting Team to support an enhanced level of monitoring and support to those schools facing significant financial challenge.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	A report on school balances as at the end of March 2015 was taken to the September meeting of the Schools Budget Forum.

4.00	RISK MANAGEMENT
4.01	As funding levels to schools decrease as a consequence of the austerity measures facing local government there is a risk that schools will slip into a deficit position. The Schools Accounting Team have developed a risk rating process to identify schools where the financial position is a cause for concern.
4.02	Schools forecasting a significant deficit position will be required to apply for a licensed deficit. The application will be reviewed by the Finance Manager and approval granted by the Chief Officer.

5.00	APPENDICES
5.01	Appendix 1 School Balances as at 31 March 2015
5.02	Appendix 2 – Licensed Deficit Guidance

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: Lucy Morris Finance Manager Telephone: 01352 704016 E-mail: lucy.morris@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	School Reserves - Reserves are sums of money that schools carry forward from one year to the next. They arise from underspends and overspends against school allocations over time. Schools are responsible for managing their own finances. The level of reserves held by an individual school will depend on a number of factors. These will include the timing of receipt of income and of payments, and the level of contingency fund the school governing body considers appropriate and the particular plans each school has for expenditure.