

EDUCATION AND YOUTH OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday 13 October 2016
Report Subject	School Reserves as at March 2016
Cabinet Member	Cabinet Member for Education and Youth
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 2016.

The level of reserves held by Flintshire schools at the end of March 2016 was £2.424m. This was an increase of £66k (2.8%) in overall balances compared with the reserves held at the end of March 2015. The level of reserves as a percentage of the delegated budget was 2.61% compared with 2.75% the previous year.

Whilst primary school positive balances have generally been maintained, the secondary sector is struggling to balance their budgets. This is a pattern reported across Wales by members of the national education finance forum. The national statistics on school reserves are due to be published on 20 October 2016.

RECOMMENDATIONS

1	Members are requested to note the school balances as at the 31 March 2016.
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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 2016 is shown at appendix 1.																											
1.02	Overall secondary school balances have moved from a deficit of £115k in March 2015 to a deficit position of £455k in March 2016, a movement of £340k. The range of balances is a surplus of £99k (John Summers High School and Mold Alun) to a deficit of £320k (Holywell High School). Five secondary schools have deficit balances. It is of concern that of the 12 secondary schools in Flintshire, 8 are forecasting to be in a deficit position by the end of the current financial year.																											
1.03	<p>Primary School balances have increased by £467k (21%) to £2.682m. The range of balances is between a surplus of £113k to a deficit of £26k. There were 8 primary schools with deficits totalling £103k compared to March 2015 when there were 7 schools with deficits totalling £90k. There were 25 primary schools with balances greater than the £50k limit referenced in the School Funding Wales Regulations 2010 compared with 20 the previous year. The spread of primary school balances greater than the £50k limit is shown in the table below.</p> <table border="1" data-bbox="456 1070 1273 1686"> <thead> <tr> <th data-bbox="456 1070 836 1137">Balances</th> <th colspan="2" data-bbox="836 1070 1273 1137">Numbers</th> </tr> <tr> <td></td> <th data-bbox="836 1137 979 1189">14/15</th> <th data-bbox="979 1137 1273 1189">15/16</th> </tr> </thead> <tbody> <tr> <td data-bbox="456 1189 836 1240">£50 - £59k</td> <td data-bbox="836 1189 979 1240">7</td> <td data-bbox="979 1189 1273 1240">8</td> </tr> <tr> <td data-bbox="456 1240 836 1292">£60- £69k</td> <td data-bbox="836 1240 979 1292">7</td> <td data-bbox="979 1240 1273 1292">3</td> </tr> <tr> <td data-bbox="456 1292 836 1344">£70- £79k</td> <td data-bbox="836 1292 979 1344">2</td> <td data-bbox="979 1292 1273 1344">6</td> </tr> <tr> <td data-bbox="456 1344 836 1395">£80- £89k</td> <td data-bbox="836 1344 979 1395">1</td> <td data-bbox="979 1344 1273 1395">5</td> </tr> <tr> <td data-bbox="456 1395 836 1447">£90- £100k</td> <td data-bbox="836 1395 979 1447">1</td> <td data-bbox="979 1395 1273 1447">1</td> </tr> <tr> <td data-bbox="456 1447 836 1498">100k +</td> <td data-bbox="836 1447 979 1498">2</td> <td data-bbox="979 1447 1273 1498">2</td> </tr> <tr> <td data-bbox="456 1498 836 1550">Total numbers</td> <td data-bbox="836 1498 979 1550">20</td> <td data-bbox="979 1498 1273 1550">25</td> </tr> </tbody> </table>	Balances	Numbers			14/15	15/16	£50 - £59k	7	8	£60- £69k	7	3	£70- £79k	2	6	£80- £89k	1	5	£90- £100k	1	1	100k +	2	2	Total numbers	20	25
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1.04	Specialist school balances have decreased by £62k.																											
1.05	<p>Surplus Balances</p> <p>In accordance with the Authority's Scheme for Financing Schools governing bodies 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</p>																											

	<p>surplus in the school balance which exceeds 5% of the school budget share or £10,000, whichever is the greater.</p> <p>The Schools Accounting Team request and scrutinise this information paying particular attention to those schools with balances over £50k/£100k.</p>
1.06	<p>The Scheme for Financing Schools has been reviewed recently and the treatment of surplus balances has been the subject of a vigorous debate by the Schools Budget Forum in recent meetings.</p> <p>It has been agreed that the scheme will be revised to place more onus on governing bodies to justify holding a balance which exceeds 5% of a school's delegated budget and is over the £50k threshold. This will be achieved by attendance of the Finance Manager or Schools Accountant at a governing body meeting. Where there is no justification for holding a balance or the balance has not been planned but has arisen fortuitously steps will be taken to claw back the funding.</p>
1.07	<p>Deficit Balances</p> <p>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.</p> <p>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> <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 developed a template for schools to complete if they are anticipating that they will go into a licensed deficit position. This is attached at Appendix 2.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The impact of continuing austerity measures on the financial resilience of schools is an area of concern.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	A school balances report was taken to the September meeting of the Flintshire 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 more 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 and Corporate Finance Manager.
4.03	Additional support is being provided to schools with significant financial pressures over and above the level of the Service Level Agreement.
4.04	If requested by the Chief Education Officer schools are required to explain their financial position as part of the Schools Standard Monitoring process.

5.00	APPENDICES
5.01	<u>Appendix 1 Summary of School Reserves as at September 2016</u>
5.02	<u>Appendix 2 Licensed Deficit Application Template</u>

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.