

EDUCATION & YOUTH OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Thursday, 18 th January 2018
Report Subject	School Balances
Cabinet Member	Cabinet Member for Education
Report Author	Chief Officer (Education & Youth)
Type of Report	Operational

EXECUTIVE SUMMARY

The table below shows the overall reserve balances held by schools by school sector at the end of the 2016/17 financial year compared with the previous year.

School Sector	2016-17 Schools Delegated Budget	March 2017 Balance surplus/ (deficit)	March 2016 Balance surplus/ (deficit)	Change Between Years
	£'000	£'000	£'000	£'000
Primary Totals	45,488	2,179	2,682	(503)
Secondary Totals	40,596	(876)	(455)	(421)
Specialist Totals	3,549	230	197	33
Overall School Balances	89,633	1,533	2,424	(890)

RECOMMENDATIONS

1	Members are requested to note the school balances as at the 31 March 2017.
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REPORT DETAILS

1.00	EXPLAINING SCHOOL BALANCES																				
1.01	The analysis of reserve balances for each school in Flintshire as at the end of March 2017 is shown at appendix 1.																				
1.02	<p>The National Picture</p> <p>The National Statistical bulletin on school reserves is attached at appendix 2. A summary of the position in relationship to Flintshire is shown below.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="5" style="text-align: center;">Average Reserves Per Pupil £</th> </tr> <tr> <th></th> <th style="text-align: center;">2017</th> <th style="text-align: center;">2016</th> <th style="text-align: center;">Change</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>Flintshire</td> <td style="text-align: center;">69</td> <td style="text-align: center;">100</td> <td style="text-align: center;">-33</td> <td style="text-align: center;">-31%</td> </tr> <tr> <td>Wales</td> <td style="text-align: center;">102</td> <td style="text-align: center;">141</td> <td style="text-align: center;">-39</td> <td style="text-align: center;">-28%</td> </tr> </tbody> </table>	Average Reserves Per Pupil £						2017	2016	Change	%	Flintshire	69	100	-33	-31%	Wales	102	141	-39	-28%
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1.03	In Flintshire secondary school budgets continue to be under pressure. At the end of the financial year there were 7 secondary schools with deficits. Forecasts for the current financial year show that the situation will worsen with potentially more schools slipping into deficit and the overall level of secondary school deficits increasing.																				
1.04	Whilst primary balances in Flintshire have generally held up well there was a 19% fall in primary balances by March 2017 compared to the previous year. Primary forecasts suggest that there will be a significant fall in balances by the end of the current financial year.																				
1.05	<p>Primary school reserves ranged from a surplus of £143k (Maes Y Felin) to a deficit of £22k (St Winifred's).</p> <p>There were 4 primary schools with deficit balances totalling £51k compared with 7 primary schools and deficits of £90k in the previous year.</p> <p>There were 14 primary schools with balances greater than £50k compared with 20 schools in the previous year.</p>																				
	<p>Surplus Balances</p> <p>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 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</p>																				

	paying particular attention to those schools with balances over £50k/£100k.
1.06	<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 budget 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. The Authority has a licensed deficit guidance and procedure which schools must adhere to.</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 report on school balances as at the end of March 2017 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 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 so that they can target their support.
4.02	To balance budgets schools may need to review their staffing structures which may result in redundancies.
4.03	Continued pressure on school finances may result in increased class sizes, a reduced curriculum and falling standards.
4.04	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.
4.05	Schools deficits are funded by the overall collective balances of schools,

	however there is a risk that the level of deficits will exceed the positive balances. This means that the Authority will have to consider how net deficit school budgets are funded.
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5.00	APPENDICES
5.01	Appendix 1 – Final School Balances 2016-17 Appendix 2 – School Reserves 2017 National Report

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: Lucy Morris, Education & Youth 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.