

## EDUCATION, YOUTH & CULTURE OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Thursday, 16 <sup>th</sup> September 2021
<b>Report Subject</b>	School Reserves Year Ending 31 March 2021
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Education
<b>Report Author</b>	Chief Officer (Education and Youth)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The overall level of reserves held by Flintshire schools was £6.902m at 31 March 2021, an increase of £6.790m compared with the previous year.

The uncertainties associated with the pandemic made financial management during the 2020/21 financial year challenging for Headteachers and Governors.

A summary of the position at the end of March 2021 is shown in table 1 below.

**Table 1**

Sector	B/f Balance 2019/20 (£)	% of Budget	C/f Balance 2020/21 (£)	% of Budget	Change Between Years (£)
Primary	1,919,956	4.0%	6,025,937	11.4%	4,105,981
Secondary	-2,094,302	-5.0%	472,112	1.1%	2,566,414
Special	286,303	7.5%	404,402	9.4%	118,100
Grand Total	111,957	0.1%	6,902,451	6.8%	6,790,494

The level of school reserves has increased across all sectors and is in part due to a number of additional grants being awarded to schools in recognition of the issues caused by the pandemic. These grants were awarded at a late stage during the financial year and inflate the level of school reserves.

### RECOMMENDATIONS

1	Note the level of school reserves as at the 31 March 2021.
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## REPORT DETAILS

1.00	<b>EXPLAINING SCHOOL BALANCES</b>																														
1.01	<p>The analysis of reserve balances for each school in Flintshire at the end of March 2021 is shown at Appendix 1 along with the total amount of additional grant funding each school received during March 2021.</p> <p>Overall, the total level of primary schools reserves increased by £4.106m, the total level of secondary schools reserves increased by £2.566m and the total level of special schools reserves increased by £0.118m. This is a reversal of trends seen in recent years, however the position as at 31<sup>st</sup> March 2021 is unusual and must be viewed in the wider context.</p>																														
1.02	<p><b>Additional Grants</b></p> <p>A number of additional grants totalling £3.851m were awarded to schools in March 2021 and are listed below in Table 2.</p> <p><b>Table 2</b></p> <table border="1" data-bbox="320 846 1342 1305"> <thead> <tr> <th colspan="5">Additional Grants - 2020/21</th> </tr> <tr> <th>Sector</th> <th>WLGA - Return to School Covid Grant (£)</th> <th>Covid Response – RRRS ALP (£)</th> <th>Revenue Maintenance Grant (£)</th> <th>TOTAL (£)</th> </tr> </thead> <tbody> <tr> <td>Primary</td> <td>91,740</td> <td>949,708</td> <td>1,416,791</td> <td>2,458,239</td> </tr> <tr> <td>Secondary</td> <td>68,904</td> <td>466,181</td> <td>816,216</td> <td>1,351,301</td> </tr> <tr> <td>Special</td> <td>1,586</td> <td>13,297</td> <td>26,404</td> <td>41,287</td> </tr> <tr> <td>Grand Total</td> <td>162,230</td> <td>1,429,186</td> <td>2,259,411</td> <td>3,850,827</td> </tr> </tbody> </table> <p>All grants in table 2 are 2020/21 grants which, due to their notification dates of March 2021, displace expenditure already incurred in 2020/21 and act to release school allocations in 2020/21. This inflates the level of school reserves as at 31<sup>st</sup> March 2021, as the school allocations are carried forward into 2021/22 financial year to fund spending in 2021/22.</p> <p>The Recruit, Recover, Raise Standards: Accelerating Learning Programme (RRRS ALP) is additional funding to augment support already in place. Pre-existing Accelerating Learning Programme proposals should be updated and reporting should be combined on this additional funding with the pre-existing arrangements. School Governing Bodies must receive a report by end of the academic year 2020/21 on the use of the full RRRS fund including this additional allocation.</p> <p>The Revenue Maintenance Grant is to fund school revenue repair and maintenance costs.</p> <p>During the financial year the Welsh Government also announced that both the annual Pupil Deprivation Grant (PDG) and the Education Improvement Grant (EIG) can be spent over a longer time period from 1<sup>st</sup> April 2020 to 31<sup>st</sup> August 2021. There will therefore be an unknown element of both</p>	Additional Grants - 2020/21					Sector	WLGA - Return to School Covid Grant (£)	Covid Response – RRRS ALP (£)	Revenue Maintenance Grant (£)	TOTAL (£)	Primary	91,740	949,708	1,416,791	2,458,239	Secondary	68,904	466,181	816,216	1,351,301	Special	1,586	13,297	26,404	41,287	Grand Total	162,230	1,429,186	2,259,411	3,850,827
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	<p>these grants within the school reserves as at 31<sup>st</sup> March 2021. If expenditure were incurred equally across this 17 month period then the funding carried forward in school balances on a pro rata basis would equate to a further £2.666m on top of the £3.851m shown in table 2.</p>
.1.03	<p><b>Secondary Schools</b></p> <p>Despite a general increase across the secondary sector there were still 4 schools out of 11 in a deficit position compared with 6 the previous year. Deficits amounted to £1.912m and ranged from £0.120m to £0.814m. One schools deficit increased during the financial year despite the additional grant funding received.</p> <p>In line with the Protocol for Schools in Financial Difficulty school support and challenge meetings will be held and schools will be invited to a Financial Performance Monitoring Group (FPMG) meeting with senior members and officers and GwE representatives as necessary.</p> <p>Secondary school budgets continue to be under significant pressure. In general, the financial resilience of the secondary school sector in Flintshire is of concern. Despite the additional grant funding, the total level of reserves across the sector amounted to £0.472m which equates to 1.1% of secondary budgets.</p> <p>There are a number of factors which have contributed to the current financial position.</p> <ul style="list-style-type: none"> <li>• The ongoing austerity measures over recent years have resulted in schools having to absorb inflationary increases in pay, pension and NI increases.</li> <li>• Demographic changes in the distribution of pupils across the primary and secondary sectors. In recent years, secondary pupil numbers have been declining whilst primary pupil numbers have been increasing and this has resulted in a redistribution of funding between sectors. However, this trend is now reversing and pupil numbers in the secondary sector are now increasing which will have a positive financial impact on the secondary sector going forward.</li> <li>• Smaller secondary schools with increasing deficits elicits the question as to whether the funding formula provides sufficient resource for schools to operate sustainably.</li> <li>• As part of the response to the Estyn recommendation initial work was conducted with secondary schools to review the funding formula. However, without additional funding for schools a revision to the current formula would not be feasible.</li> </ul>
1.04	<p><b>Primary Schools</b></p> <p>The level of school reserves within the primary sector increased by £4.106m during the year.</p> <p>At the end of the financial year there was 1 primary schools in deficit compared with 9 in the previous year.</p>

	There were 43 primary schools with balances greater than £50k, compared with 16 schools in the previous year. 29 primary schools had balances over £100,000 compared with 2 schools in the previous year.
1.05	<p><b>Surplus Balances</b></p> <p>The School Funding (Wales) Regulations 2010 require Authorities to have the following provisions in their Scheme for Financing Schools:</p> <p>The use that a governing body proposes to make of a surplus in the school balance which exceeds 5% of the school budget share or £100,000, whichever is the greater.</p> <p>A provision under which–</p> <p>(a) the authority may direct the governing body as to how to spend a surplus in the school balance for a funding period, if–</p> <ul style="list-style-type: none"> <li>(i) in the case of a primary school the surplus is £50,000 or more, and</li> <li>(ii) in the case of a secondary school or a special school the surplus is £100,000 or more;</li> </ul> <p>(b) the authority may, if the governing body do not comply with such a direction, require the governing body to pay all or part of that surplus to the authority to be applied as part of their schools budget for the funding period in question.</p> <p>In accordance with the Regulations, the Authority's Scheme for Financing Schools requires a spending plan from schools as to the use that the governing body proposes to make of a school balance which exceeds the limits specified.</p> <p>Given the challenging circumstances that schools are operating within, and the complexity surrounding the analysis of school reserves that additional grants in March has caused, the Council will not be asking schools to complete the annual return on their planned use of school balances exceeding the limits specified this year.</p>

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

<b>3.00</b>	<b>RISK MANAGEMENT</b>
3.01	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.

3.02	To balance budgets schools may need to review their employment structures which may result in redundancies.
3.03	Continued pressure on school finances may result in increased class sizes, a reduced curriculum and falling standards.
3.04	There may be an adverse financial impact arising due to the Covid-19 pandemic and schools attention will be focused on delivery of education during this crisis.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
4.01	This report has been circulated to all Headteachers and the School Budget Forum in June 2021. It will also be reviewed by the Governance and Audit Committee in September.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - Final School Balances 2020-21.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Liz Thomas, Strategic Finance Manager - Schools <b>Telephone:</b> 01352 702289 <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<b>School Reserves</b> – 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.
	<b>Flintshire County Council's Scheme for Financing Schools</b> – The Scheme defines the financial relationship between Flintshire County Council and its maintained schools. The Scheme details the financial management arrangements to which the Authority and its schools are

	<p>required to adhere. The framework for this Scheme is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act, 1998 and as further detailed in The School Funding (Wales) Regulations 2010.</p>
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