

TO: SCHOOLS FORUM
Date 19 JULY 2012

2011-12 SCHOOL BALANCES AND OTHER RELATED MATTERS
(Director of Children, Young People and Learning)

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update members of the Schools Forum on the level of balances held by schools as at 31 March 2012 and how these compare to the previous financial year.
- 1.2 The Forum is also requested to agree an extension of one year to the licensed deficit agreement at Cranbourne Primary, which would then become fully repaid by 31 March, 2014.

2 RECOMMENDATIONS

That the Schools Forum NOTES:

- 2.1 **The level of aggregate surplus revenue balances as at 31 March 2012 totalled £4.531m, an increase of £0.784m (21.0%) from the previous year (paragraph 5.3 (1));**
- 2.2 **That at 6.7% of annual income, average surplus balances are in excess of the amount required for working balances and that more funds could have been spent by schools on their key priorities (paragraph 5.3 (3));**
- 2.3 **That significant surplus revenue balances totalled £1.1m, an increase of £0.385m (54%) from the previous year (paragraph 5.7);**
- 2.4 **That £0.827m of Devolved Formula Capital grant remained unspent at 31 March 2012, a decrease of £0.707m (53.8%) from the previous year (paragraph 5.11 (1));**
- 2.5 **That £0.211m of Devolved Formula Capital grant must be spent by schools by 31 August 2012, or returned to the DfE (paragraph 5.11 (3)).**

That the Schools Forum AGREES:

- 2.6 **That the repayment term for the £0.050m licensed deficit previously agreed for Cranbourne Primary School be extended by one year, for full repayment to be made by 31 March 2014 (paragraph 5.3 (6)).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 **It is appropriate for the Schools Forum to be aware of, and where relevant, comment on these financial matters.**

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 Not applicable.

5 SUPPORTING INFORMATION

Calculating Statutory School Balances

5.1 The School Standards and Framework Act 1998 provides a statutory requirement for the balance of expenditure made by each school compared to its budget share to be carried forward for use by individual governing bodies in the next financial year. This applies to both surplus and deficit balances and relates to all revenue funds held by schools in local authority accounts.

5.2 Attached at Annex A is a list of individual school balances as at 31 March 2012. For comparison, the annex also shows the change from the 2010-11 year end position. Annex B provides a summary profile of deficit and surplus balances.

5.3 Some comments on the analysis are as follows:

1. Aggregate surplus balances have increased by £0.784m, from £3.747m to £4.531m. This is an increase of 21%.
2. There has been a net increase in surplus balances in the primary sector of £0.811m (+44.1%). Aggregate surpluses in the secondary and special sectors have decreased by £0.027m (-1.4%).
3. On average, at 6.7% of total budget, overall reserves are considered to be at a more than adequate level required for working balances to cover unforeseen circumstances and therefore more money could have been spent by schools on their key objectives.
4. The aggregate surplus balance of £4.531m comprises £4.560m from surpluses (was £3.822m) and £0.029m in deficits (was £0.076m). Surplus balances are increasing with deficits reducing.
5. The largest surplus balance as a percentage of budget is 19.1% (was 15.1%) and the greatest deficit is 4.4% (was 8.7%). There are limited circumstances where a surplus balance of 19.1% of annual income can be warranted.
6. Cranbourne Primary was the only school in deficit at the end of the 2011-12 financial year, which is a reduction of three schools compared to the previous year. The school is in deficit by £0.029m and has an agreed £0.050m licensed deficit. Whilst this has reduced by £0.023m during the course of the year, the governing body has requested that the repayment schedule be extended by a further year to 31 March 2014. A medium term budget plan is in place that governors are committed to deliver to which shows a return to surplus by 31 March 2014. The Forum is therefore asked to approve the requested extension. If agreed Cranbourne will have been in deficit for 5 years, which is the maximum allowed under the Scheme for Financing Schools.

Reasons for the increase in balances

- 5.4 For the second consecutive year, this level of increase in school balances was not expected but it is significant and therefore explanations have been requested from schools. There is no proposal to claw-back any money, but a better understanding of the reasons for the increase will help with the construction of next year's budget. Primary schools that have increased their surplus by £15,000 or more during the year and secondaries with increases of more than £50,000 were asked to give reasons for their increase. This covers 17 primary and 2 secondary / special schools and £1.046m.
- 5.5 A summary of responses is as follows, with some schools having more than one reason for the increase in surplus:
- 15 schools had lower than expected spend on teachers, totalling £0.411m.
 - 9 schools incurred lower than expected spend on non-teaching staff, totalling £0.058m.
 - 8 schools received additional grant and other income in excess of original expectations, totalling £0.061m.
 - 7 schools set aside funds for 2012-13 to contribute to large scale projects, totalling £0.124m.
 - 3 schools set aside money for anticipated future budget reductions or saved money to recover from a deficit, totalling £0.236m.
 - 10 schools gave a range of reasons, including savings on training, general supplies and services, totalling £0.134m.

It seems from the responses received from schools that a large number of schools have held posts vacant in order to be better placed to deal with the difficult financial environment that they will face in the coming years.

Significant surplus balances

- 5.6 Whilst the statutory requirement to consider claw-back of significant surplus balances has been removed, the Forum recently agreed that a claw-back scheme should be applied from 2012-13 accounts, where significant balances are not being held for a valid purpose. To help inform schools of their position relative to the claw-back scheme, the relevant calculations have been made on 2011-12 balances and circulated. Members of the Forum will recall that balances in excess of 5% for secondary schools or 8% for primary or special schools have been defined as significant.
- 5.7 Fifteen schools are assessed to have a significant surplus, which compares to nine at the end of 2010-11, of which eight continue with a significant surplus for the fourth consecutive year. The aggregate level of significant surplus balances stands at £1.1m, an increase of £0.385m (54%).
- 5.8 It is important that schools carefully plan their budgets and balance the need to hold funding as a contingency for the future whilst at the same time ensuring the maximum investment is made in the school each year to help achieve improvement targets. A prudent approach to spending is recommended in the current economic climate, but it should not in itself lead to continued increases in balances and should be balanced against needs of current pupils in schools.

Capital Funding

- 5.9 Schools receive direct funding for capital projects through the DfE Devolved Formula Capital Grant (DFC). DFC is allocated through a national formula in response to the continuing need for additional resources to be spent on improving the condition and suitability of school accommodation as well as ICT hardware. Individual projects need to be at least £2,000 to qualify as capital related expenditure and need to be approved by the Council before they can proceed. Schools can pool their funding amongst each other or add it as a contribution to projects undertaken by the Council. Funding must be spent on eligible expenditure within 3 years and one term of receipt or be returned to the DfE.
- 5.10 As voluntary aided (VA) schools own and are responsible for the maintenance of their buildings, different arrangements are in place, outside local authority accounts, and therefore, information on the 5 VA schools in Bracknell Forest are not available for inclusion in this report.

Annex C provides a summary of individual school balances of DFC as at 31 March 2012.

- 5.11 Some comments on the analysis are as follows:
1. Aggregate unspent balances have decreased by £0.707m, from £1.534m to £0.827m. This is a decrease of 54% and is mainly accounted for through a number of significant schemes being completed, including joint funded projects at the Council, most notably, New Scotland Hill, Edgbarrow and Kennel Lane.
 2. The level of capital balances are not considered excessive as schools tend to save funds over a number of years before committing to significant projects.
 3. 9 schools are in danger of having to return unspent grant at 31 August 2012, which could in total aggregate to £0.211m. Relevant schools have been informed of this risk and all have indicated that plans are in place to spend the funds.

Conclusions

- 5.12 At 6.7%, the aggregate level of school revenue balances is considered to be higher than required to cover normal in-year variances against the budget and suggests that more money could have been spent in-year on key priorities. Within the overall total, as should be expected, a small number of schools are running deficits in order to implement financial change over the medium term, in a managed way.
- 5.13 In respect of capital grants, the majority of schools continue to secure total funding for a project from DFC before it commences, hence balances are 2.7 times greater than annual funding allocations. With DFC funding having been reduced by approximately 80% from April 2011, schools will be undertaking much lower value projects in the future and will therefore need to carefully consider which are their highest priority projects.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 The relevant legal provisions are contained within the body of the report.

Borough Treasurer

6.2 The financial implications of the report are outlined in the supporting information.

Equalities Impact Assessment

6.3 There are no specific impact assessments arising from this report.

Strategic Risk Management Issues

6.4 There are no specific strategic risk management issues arising from this report

Other Officers

6.5 There are no issues arising from this report that are relevant to other officers.

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable, applying statutory regulations.

Method of Consultation

7.2 Not applicable.

Representations Received

7.3 Not applicable.

Background Papers

School Balances from BFC final accounts for 2011-12
Scheme for Financing Schools

Contact for further information

David Watkins, Chief Officer: SR&EI
david.watkins@bracknell-forest.gov.uk

(01344 354061)

Paul Clark, Head of Departmental Finance
<mailto:paul.clark@bracknell-forest.gov.uk>

(01344 354054)

Doc. Ref

Doc. Ref \NewAlluse\Executive\Schools Forum\57) 190712\School Balances 2011-12.doc

2011-12 School Revenue Balances

School	2011-12 Budget	Carry forward		Significant Surplus	Change from 2010-11	Percentage of total Budget last year	Change in Percentage of total Budget
		Total Amount	Percentage of total budget				
Ascot Heath Infant	£724,875	-£31,935	-4.41%	£0	£13,514	-6.66%	2.26%
Ascot Heath CE Junior	£866,766	-£62,998	-7.27%	£0	-£14,940	-5.81%	-1.46%
Binfield CE Primary	£1,312,238	-£1,060	-0.08%	£0	£14,127	-1.19%	1.10%
Birch Hill Primary	£1,522,532	-£121,514	-7.98%	£0	-£47,470	-5.28%	-2.70%
College Town Infant & Nursery	£945,444	-£68,291	-7.22%	£0	-£859	-7.95%	0.73%
College Town Junior	£956,340	-£239	-0.02%	£0	-£19,645	2.12%	-2.14%
Cranbourne Primary	£650,653	£28,708	4.41%	£0	-£22,835	8.65%	-4.24%
Crown Wood Primary	£1,174,570	-£105,852	-9.01%	-£11,886	-£29,406	-7.01%	-2.00%
Crowthorne CE Primary	£770,040	-£44,204	-5.74%	£0	£1,867	-6.28%	0.54%
Fox Hill Primary	£777,670	-£37,824	-4.86%	£0	-£22,551	-2.01%	-2.85%
Great Hollands Primary School	£1,547,915	-£79,690	-5.15%	£0	-£41,958	-2.77%	-2.37%
Harmanswater Primary	£2,555,554	-£489,615	-19.16%	-£285,171	-£159,974	-15.05%	-4.11%
Holly Spring Infant	£883,826	-£32,015	-3.62%	£0	£32,858	-8.15%	4.53%
Holly Spring Junior	£951,677	-£129,154	-13.57%	-£53,020	-£4,392	-14.80%	1.22%
Jennets Park Primary School	£529,036	-£35,322	0.00%	£0	-£39,322	0.00%	0.00%
Meadow Vale Primary	£1,856,463	-£124,826	-6.72%	£0	£6,410	-7.52%	0.80%
New Scotland Hill Primary	£793,431	-£25,261	-3.18%	£0	-£18,336	-0.95%	-2.23%
Owlsmoor Primary	£1,691,463	-£152,150	-9.00%	-£16,833	-£80,205	-4.75%	-4.24%
The Pines School	£880,465	-£109,928	-12.49%	-£39,491	-£12,260	-10.86%	-1.63%
Sandy Lane Primary	£2,109,044	-£246,058	-11.67%	-£77,334	-£111,385	-7.23%	-4.43%
St Joseph's Catholic Primary	£855,849	-£67,948	-7.94%	£0	-£13,832	-6.89%	-1.05%
St Margaret Clithrow Primary	£786,644	-£29,537	-3.75%	£0	-£9,719	-2.75%	-1.00%
Winkfield St Mary's CE Primary	£710,711	-£9,519	-1.34%	£0	£5,796	-2.26%	0.92%
St Michaels Easthampstead	£836,218	-£48,086	-5.75%	£0	-£35,210	-1.68%	-4.07%
St Michaels CE, Sandhurst	£779,658	-£92,472	-11.86%	-£30,099	-£14,210	-11.30%	-0.56%
Uplands Primary	£779,296	-£28,121	-3.61%	£0	£13,803	-5.59%	1.98%
Warfield CE Primary	£781,886	-£28,703	-3.67%	£0	-£29,319	0.08%	-3.75%
Whitegrove Primary	£1,495,846	-£82,411	-5.51%	£0	-£27,463	-3.85%	-1.65%
Wildridings Primary	£1,252,225	-£180,850	-14.44%	-£80,672	-£65,407	-10.45%	-3.99%
Broadmoor Primary	£765,619	-£73,717	-9.63%	-£12,467	-£26,138	-6.42%	-3.21%
Woodenhill Primary & Nursery	£1,361,218	-£141,727	-10.41%	-£32,830	-£53,118	-7.24%	-3.17%
The Brakenhale	£4,940,203	-£63,723	-1.29%	£0	£125,368	-4.13%	2.84%
Easthampstead Park	£4,916,354	-£393,362	-8.00%	-£147,544	-£162,571	-4.54%	-3.46%
Edgbarrow	£5,910,204	-£373,425	-6.32%	-£77,915	£5,189	-6.63%	0.32%
The Garth Hill	£7,288,437	-£555,512	-7.62%	-£191,090	£78,103	-9.69%	2.07%
Ranelagh CE	£1,602,840	£0	0.00%	£0	£66,208	-1.51%	1.51%
Sandhurst	£5,184,537	-£265,386	-5.12%	-£6,159	-£54,035	-4.19%	-0.93%
Kennel Lane	£3,790,543	-£227,465	-6.00%	-£37,938	-£30,941	-5.79%	-0.21%
Total	£67,538,290	-£4,531,192	-6.71%	-£1,100,450	-£784,258	-5.72%	-0.99%

Summary profile of deficit and surplus school balances

Sector	2010-11		2011-12		Change in carry forward 2010-2011 to 2011-2012	2011-12 Carry Forward as % of final budget	
	Final Budget	Carry Forward	Final Budget	Carry Forward			
Primary	£30,725,062	£1,840,740	£33,905,172	£2,652,319	£811,579	44.09%	7.82%
Secondary and Special	£34,746,994	£1,906,194	£33,633,118	£1,878,873	-£27,321	-1.43%	5.59%
Total	£65,472,056	£3,746,934	£67,538,290	£4,531,192	£784,258	20.93%	6.71%

Analysis of level of Reserves									Memo Item Surpluses Over £75,000
Deficits		Surpluses					Significant Surpluses		
No.	Largest	No.	Largest	No. 0-5% of budget	No. 5-8% of budget	No. > 8% of budget	No.	Largest	

2010-11

Primary	4	£51,543	27	-£329,641	9	12	6	6	-154,460	9
Secondary and Special	0	£0	7	-£633,615	4	2	1	3	-306,702	6
Total	4	£75,565	34	-£3,822,499	13	14	7	9	-715,247	15

2011-12

Primary	1	£28,708	30	-£489,615	11	9	10	10	-285,171	13
Secondary and Special	0	£0	6	-£555,512	1	4	1	5	-191,090	5
Total	1	£28,708	36	-£4,559,900	12	13	11	15	-1,100,450	18

Change 2010-2011 to 2011-2012

Primary	-3	-£22,835	3	-£159,974	2	-3	4	4	-£130,711	4
Secondary and Special	0	£0	-1	£78,103	-3	2	0	2	£115,612	-1
Total	-3	-£46,857	2	-£737,401	-1	-1	4	6	-£385,202	3

2011-12 School Capital Balances

School	2011/12 new year funding	Carry forward		Change from 2010/11 (-increase / +decrease)	Amount that must be spent by 31 Aug 2012
		Total Amount (-surplus / + deficit)	Percentage of new year funding		
Ascot Heath County Infant	6,363	-65,262	-1,025.65%	£5,873	£41,625
Ascot Heath CE Junior	6,633	-62,591	-943.63%	£8,132	£35,710
Birch Hill Primary	8,472	-73,436	-866.81%	£42,839	£39,538
Wildmoor Heath Primary	6,109	-22,393	-366.55%	£24,066	£0
College Town Infant and Nursery	7,021	-11,486	-163.59%	£16,370	£0
College Town Junior	6,925	-10,557	-152.44%	£977	£0
Cranbourne Primary	5,980	-9,813	-164.09%	£5,980	£0
Crown Wood Primary	7,302	-62,200	-851.82%	£16,967	£33,132
Crowthorne CE Primary	6,323	-33,577	-531.03%	£39,257	£8,852
Fox Hill Community Primary	5,924	-15,988	-269.89%	£10,945	£0
Great Hollands Primary	7,718	-4,997	-64.74%	£9,570	£0
Harmanswater Primary	11,183	-11,183	-100.00%	£11,183	£0
Holly Spring Infant and Nursery	6,295	-23,605	-374.97%	£59,100	£0
Holly Spring Junior	6,385	-18,738	-293.47%	£27,708	£0
Meadow Vale Primary	9,102	-26,761	-294.02%	£9,102	£0
New Scotland Hill Primary	6,492	-6,235	-96.04%	£84,004	£0
Owlsmoor Primary	9,265	-1,762	-19.02%	£5,915	£0
The Pines	6,261	-56,537	-903.00%	£36,544	£30,639
Sandy Lane Primary	9,985	-4,338	-43.45%	£81,142	£0
St Marys CE Primary (Winkfield)	6,228	-33,431	-536.78%	£19,249	£8,574
Uplands Primary	6,363	-3,613	-56.78%	£3,613	£0
Warfield CE Primary	6,329	-4,163	-65.78%	£4,055	£0
Whitegrove Primary	8,731	-45,741	-523.90%	£55,984	£9,335
Wildridings Primary	7,201	-34,113	-473.73%	£5,334	£3,747
Woodenhill Primary and Nursery	7,741	-30,341	-391.96%	£4,051	£0
Brakenhale	18,934	-41,321	-218.24%	£8,244	£0
Easthampstead Park	20,166	-33,749	-167.36%	£20,166	£0
Edgbarrow	23,626	-9,764	-41.33%	£157,990	£0
Garth Hill	26,309	-33,257	-126.41%	£26,309	£0
Sandhurst	22,849	-33,572	-146.93%	£12,300	£0
Kennel Lane	9,923	-2,260	-22.77%	£102,375	£0
Total	£304,138	-£826,783	-271.84%	£707,440	£211,153