

**TO: SCHOOLS FORUM
12 SEPTEMBER 2013**

**2012-13 SCHOOL BALANCES
(Director of Children, Young People and Learning)**

1 PURPOSE OF REPORT

- 1.1 This is an annual report, the purpose of which is to update members of the Schools Forum on the level of balances held by schools as at 31 March 2013, how these compare to the previous financial year and to consider whether any significant surplus balances should be subject to claw-back and re-invested within the overall Schools Budget.

2 RECOMMENDATIONS

That the Schools Forum NOTES:

- 2.1 **The level of aggregate surplus revenue balances as at 31 March 2013 totalled £4.573m, a decrease of £0.054m (1.2%) from the previous year (paragraph 5.4 (1));**
- 2.2 **That at 6.5% 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 5.4 (3));**
- 2.3 **That significant surplus revenue balances totalled £1.143m, an increase of £0.017m (1.5%) from the previous year (paragraph 5.7);**
- 2.4 **That £0.443m of Devolved Formula Capital grant remained unspent at 31 March 2013, a decrease of £0.424m (48.9%) from the previous year (paragraph 5.11 (1));**
- 2.5 **That relevant schools had indicated that the £0.092m of Devolved Formula Capital grant funding was due to expire at 31 August 2013 would be fully spent (paragraph 5.13 (4)).**

That the Schools Forum AGREES:

- 2.6 **That all of the significant surplus balances held by schools have been assigned for relevant purposes and should not be subject to claw back (paragraph 5.9).**

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 requirement is confirmed in the Scheme for Financing Schools which applies to both surplus and deficit balances and relates to all revenue funds held by schools in local authority accounts.

5.2 With effect from April 2013, the requirements of the Scheme for Financing Schools became applicable to Pupil Referral Units (PRUs), which means that College Hall PRU is included in this report for the first time.

5.3 Attached at Annex A is a list of individual school balances as at 31 March 2013. For comparison, the annex also shows the change from the 2011-12 year end position. Annex B provides a summary profile of deficit and surplus balances.

5.4 Some comments on the analysis are as follows:

1. Aggregate surplus balances have decreased by £0.054m, from £4.627m to £4.573m. This is a decrease of 1.2%.
2. There has been a net increase in surplus balances in the primary and PRU sectors of £0.050m (+1.8%). Aggregate surpluses in the secondary and special sectors have decreased by £0.104m (-5.5%).
3. On average, at 6.5% 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 £4.573m comprises £4.609m from surpluses (was £4.656m) and £0.036m in deficits (was £0.029m). There has been a marginal deterioration in the level of both surplus and deficit balances.
5. The largest surplus balance as a percentage of budget is 16.8% (was 19.1%) and the greatest deficit is 2.9% (was 4.4%). There are limited circumstances where a surplus balance of 16.8% of annual income can be warranted.
6. Two primary schools were in deficit at the end of the 2012-13 financial year. For Cranbourne, the Forum has previously agreed a licensed deficit arrangement with the school and the terms are expected to be met, with a return to surplus balance anticipated no later than March 2015. For College Town Junior School, a balanced budget plan has been submitted for 2013-14 which is expected to be delivered. Therefore, no significant concerns exist in respect of schools with deficit balances.

Unrestricted

Significant surplus balances

- 5.5 Following consultation with schools, the Forum agreed that where significant balances are not being held for a valid purpose, with effect from 2012-13 accounts, a claw-back scheme would be applied to remove relevant amounts for re-distribution within the Schools Budget. This was based on the principle that generally speaking, annual funding should be spent on pupils in school that year and not held back unnecessarily.
- 5.6 Members of the Forum will recall that balances in excess of 5% for secondary and special schools or 8% for primary schools or PRUs have been defined as significant and that a range of valid purposes have been agreed that permit schools to retain surplus balances above these levels.
- 5.7 Ten schools were identified as holding a significant surplus, which compares to sixteen at the end of 2011-12, of which eight continue with a significant surplus for the fifth consecutive year. The aggregate level of significant surplus balances amounts to £1.143m, an increase of £0.017m (1.5%).
- 5.8 In light of the significant redistribution of funds between schools arising from the national school funding reforms, the Forum determined that any significant surplus balance held by a school losing money through these changes would not be subject to claw-back before 31 March 2015. Taking account of this new condition means only four schools held significant surpluses that would be subject to the claw-back scheme which in total aggregate to £0.470m.
- 5.9 Relevant schools have provided statements that confirm that these funds are being held for valid reasons, as set out in the scheme, and therefore the Forum is recommended to agree that no claw-back should be applied to 2012-13 balances. A summary of intended use of the significant surpluses is as follows:
- £0.015m for capital buildings and construction
 - £0.042m for infrastructure, maintenance and refurbishment
 - £0.187m for staffing remodelling and restructuring
 - £0.226m for a known future budget reduction
- 5.10 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.

Capital Funding

- 5.11 Schools receive direct funding for capital projects through the DfE Devolved Formula Capital Grant (DFC). DFC is allocated as a specific grant through a national formula in response to the continuing need for additional resources and must 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.

Unrestricted

- 5.12 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 2013.

- 5.13 Some comments on the analysis are as follows:

1. Aggregate unspent balances have decreased by £0.425m, from £0.868m to £0.443m. This is a decrease of 49% and is mainly accounted for through a number of significant schemes being completed by schools.
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. The aggregate level of surplus balances continues to fall significantly as projects complete and less funding is being provided by the DfE.
4. Uplands Primary School had a deficit balance at year end which arose as a result of an agreed draw-down of their 2013-14 DFC allocation.
5. Five schools were in danger of having to return unspent grant at 31 August 2013, which aggregates to £0.092m. Relevant schools have been informed of this risk and by the end of the summer term, all had indicated that they intended to fully spend the amounts by the deadline.

Conclusions

- 5.14 At 6.5%, 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.
- 5.15 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 in excess of 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.
- 5.16 Overall, schools continue to show resilience to the difficult economic climate and the impact of the national funding reforms which indicates good cost control and financial planning.

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 2012-13
Scheme for Financing Schools

Contact for further information

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2012-13 School Revenue Balances

School	2012-13 Budget	Carry forward					Significant surplus - initial calculation	Significant surplus - after MFG adjustment
		Total Amount	Percentage of total Budget	Change from 2011-12	Percentage of total Budget last year	Change in Percentage of total Budget		
Ascot Heath Infant	£758,956	-£23,312	-3.07%	£8,623	-4.41%	1.33%	£0	£0
Ascot Heath CE Junior	£897,348	-£61,439	-6.85%	£1,559	-7.27%	0.42%	£0	£0
Binfield CE Primary	£1,337,609	-£43,700	-3.27%	-£42,640	-0.08%	-3.19%	£0	£0
Birch Hill Primary	£1,570,017	-£105,447	-6.72%	£16,067	-7.98%	1.26%	£0	£0
College Town Infant & Nursery	£885,103	-£57,151	-6.46%	£11,140	-7.22%	0.77%	£0	£0
College Town Junior	£974,925	£15,985	1.64%	£16,224	-0.02%	1.66%	£0	£0
Cranbourne Primary	£708,466	£20,288	2.86%	-£8,420	4.41%	-1.55%	£0	£0
Crown Wood Primary	£1,401,637	-£184,647	-13.17%	-£78,795	-9.01%	-4.16%	-£72,516	£0
Crowthorne CE Primary	£819,502	-£40,616	-4.96%	£3,588	-5.74%	0.78%	£0	£0
Fox Hill Primary	£878,913	-£71,767	-8.17%	-£33,943	-4.86%	-3.30%	-£1,454	£0
Great Hollands Primary School	£1,525,948	-£51,450	-3.37%	£28,240	-5.15%	1.78%	£0	£0
Harmanswater Primary	£2,863,159	-£482,237	-16.84%	£7,378	-19.16%	2.32%	-£253,184	£0
Holly Spring Infant	£951,089	-£64,011	-6.73%	-£31,996	-3.62%	-3.11%	£0	£0
Holly Spring Junior	£992,931	-£80,353	-8.09%	£48,801	-13.57%	5.48%	-£919	-£919
Jennets Park Primary School	£894,398	-£27,217	-3.04%	£8,105	-6.68%	3.63%	£0	£0
Meadow Vale Primary	£1,964,118	-£85,596	-4.36%	£39,230	-6.72%	2.37%	£0	£0
New Scotland Hill Primary	£816,064	-£17,068	-2.09%	£8,193	-3.18%	1.09%	£0	£0
Owsmoor Primary	£1,834,151	-£96,390	-5.26%	£55,760	-9.00%	3.74%	£0	£0
The Pines School	£958,107	-£134,850	-14.07%	-£24,922	-12.49%	-1.59%	-£58,201	£0
Sandy Lane Primary	£2,368,395	-£376,004	-15.88%	-£129,946	-11.67%	-4.21%	-£186,532	£0
St Joseph's Catholic Primary	£887,085	-£57,159	-6.44%	£10,789	-7.94%	1.50%	£0	£0
St Margaret Clitheroe Primary	£797,694	-£41,742	-5.23%	-£12,205	-3.75%	-1.48%	£0	£0
Winkfield St Mary's CE Primary	£725,505	-£9,007	-1.24%	£512	-1.34%	0.10%	£0	£0
St Michaels Easthampstead	£906,012	-£58,141	-6.42%	-£10,055	-5.75%	-0.67%	£0	£0
St Michaels CE Primary, Sandhurst	£812,942	-£60,463	-7.44%	£32,009	-11.86%	4.42%	£0	£0
Uplands Primary	£784,113	-£19,156	-2.44%	£8,965	-3.61%	1.17%	£0	£0
Warfield CE Primary	£813,554	-£55,537	-6.83%	-£26,834	-3.67%	-3.16%	£0	£0
Whitegrove Primary	£1,565,229	-£88,644	-5.66%	-£6,233	-5.51%	-0.15%	£0	£0
Wildridings Primary	£1,504,467	-£222,076	-14.76%	-£41,226	-14.44%	-0.32%	-£101,719	£0
Broadmoor Primary	£803,338	-£11,054	-1.38%	£62,663	-9.63%	8.25%	£0	£0
Woodenhill Primary & Nursery	£1,417,915	-£106,474	-7.51%	£35,253	-10.41%	2.90%	£0	£0
College Hall PRU	£849,187	-£101,931	-12.00%	-£6,162	-11.02%	-0.99%	-£33,996	-£33,996
The Brakenhale	£5,113,593	-£95,356	-1.86%	-£31,633	-1.29%	-0.57%	£0	£0
Easthampstead Park	£4,901,058	-£362,346	-7.39%	£31,016	-8.00%	0.61%	-£117,293	-£117,293
Edgbarrow	£6,241,037	-£307,488	-4.93%	£65,937	-6.32%	1.39%	£0	£0
The Garth Hill	£7,424,771	-£689,416	-9.29%	-£133,904	-7.62%	-1.66%	-£318,177	-£318,177
Sandhurst	£5,203,792	-£242,241	-4.66%	£23,145	-5.12%	0.46%	£0	£0
Kennel Lane	£3,944,697	-£78,032	-1.98%	£149,433	-6.00%	4.02%	£0	£0
Total	£70,096,825	-£4,573,245	-6.52%	£53,716	-6.93%	0.40%	-£1,143,992	-£470,385

Unrestricted

Annex B

Summary profile of deficit and surplus school balances

Sector	2011-12		2012-13		Change in carry forward 2011-2012 to 2012-2013	2012-13 Carry Forward as % of final budget	
	Final Budget	Carry Forward	Final Budget	Carry Forward			
Primary and PRU	£34,774,522	£2,748,088	£37,267,877	£2,798,366	£50,278	1.83%	7.51%
Secondary and Special	£32,030,278	£1,878,873	£32,828,948	£1,774,879	-£103,994	-5.53%	5.41%
Total	£66,804,800	£4,626,961	£70,096,825	£4,573,245	-£53,716	-1.16%	6.52%

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	

2011-12

Primary and PRU	1	£28,708	31	-£489,615	10	10	11	11	-666,025	14
Secondary and Special	0	£0	6	-£555,512	1	4	1	5	-460,646	5
Total	1	£28,708	37	-£4,655,669	11	14	12	16	-1,126,671	19

2012-13

Primary and PRU	2	£20,288	30	-£482,237	10	12	8	8	-708,521	12
Secondary and Special	0	£0	6	-£689,416	4	1	1	2	-318,177	6
Total	2	£36,273	36	-£4,609,518	14	13	9	10	-1,143,992	18

Change 2011-2012 to 2012-2013

Primary and PRU	1	-£8,420	-1	£7,378	0	2	-3	-3	-£42,497	-2
Secondary and Special	0	£0	0	-£133,904	3	-3	0	-3	£142,469	1
Total	1	£7,565	-1	£46,151	3	-1	-3	-6	-£17,321	-1

2012-13 School Capital Balances

School	2012/13 new year funding	Carry forward			Amount that must be spent by 31 Aug 2013
		Total Amount (-surplus / + deficit)	Percentage of new year funding	Change from 2011/12 (-increase / +decrease)	
Ascot Heath County Infant	£6,273	-£28,386	-452.54%	£36,876	£15,750
Ascot Heath CE Junior	£6,666	-£5,319	-79.79%	£57,272	£0
Birch Hill Primary	£8,601	-£41,105	-477.89%	£32,331	£24,032
Wildmoor Heath Primary	£6,003	-£8,930	-148.78%	£13,463	£0
College Town Infant and Nursery	£6,953	-£9,118	-131.14%	£2,368	£0
College Town Junior	£7,195	-£4,674	-64.97%	£5,882	£0
Cranbourne Primary	£6,093	-£6,081	-99.81%	£3,732	£0
Crown Wood Primary	£7,279	-£35,922	-493.47%	£26,278	£21,341
Crowthorne CE Primary	£6,289	-£4,462	-70.94%	£29,116	£0
Fox Hill Community Primary	£6,031	-£7,506	-124.47%	£8,482	£0
Great Hollands Primary	£8,039	-£4,966	-61.77%	£31	£0
Harmanswater Primary	£11,268	-£11,268	-100.00%	-£85	£0
Holly Spring Infant and Nursery	£6,430	-£8,665	-134.76%	£14,940	£0
Holly Spring Junior	£6,486	-£7,331	-113.02%	£11,407	£0
Meadow Vale Primary	£9,113	-£35,874	-393.66%	-£9,113	£17,659
New Scotland Hill Primary	£6,436	-£12,250	-190.35%	-£6,016	£0
Owlsmoor Primary	£9,361	-£8,373	-89.45%	-£6,611	£0
Pines	£6,183	-£12,313	-199.17%	£44,224	£0
Sandy Lane Primary	£10,289	-£3,422	-33.26%	£916	£0
St Marys CE Primary (Winkfield)	£6,222	-£10,047	-161.48%	£23,384	£0
Uplands Primary	£6,340	£5,163	81.44%	£8,776	£0
Warfield CE Primary	£6,363	-£10,526	-165.44%	-£6,363	£0
Whitegrove Primary	£8,860	-£1	-0.01%	£45,740	£0
Wildridings Primary	£7,549	-£1	-0.01%	£34,113	£0
Woodenhill Primary and Nursery	£7,960	-£13,506	-169.67%	£16,835	£0
Brakenhale	£20,116	-£27,036	-134.40%	£14,285	£0
Easthampstead Park	£19,069	-£31,406	-164.69%	£2,343	£0
Edgbarrow	£24,469	-£5,299	-21.65%	£4,465	£0
Garth Hill	£27,304	-£41,215	-150.94%	-£7,958	£0
Sandhurst	£22,259	-£17,340	-77.90%	£16,231	£0
Kennel Lane	£9,940	-£12,200	-122.73%	-£9,940	£0
College Hall PRU	£5,215	-£23,723	-454.90%	£17,474	£12,989
Total	£312,652	-£443,101	-141.72%	£424,879	£91,771