

TO: SCHOOLS FORUM
Date 20 JUNE 2019

2018-19 BALANCES HELD BY MAINTAINED SCHOOLS
Executive Director - People

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 maintained schools as at 31 March 2019, 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.
- 1.2 Balances held by academy schools are not part of the council's accounts and are therefore excluded from this report.

2 EXECUTIVE SUMMARY

- 2.1 For the first time in 7 years, aggregate surplus balances held by schools have increased, albeit by a modest £0.187m to £1.728m. This follows an improved performance in 2017-18 when £0.165m was drawn down and 2016-17 when the draw down was £1.661m. At 3.1% of annual income, average surplus balances have moved to a position where they are considered to be at a level to be able to safely manage unforeseen in-year pressures.
- 2.2 A number of schools are holding significant surplus balances, all of which have provided explanations to indicate suitable plans are in place for appropriate expenditure in the short term to ensure resources are being spent in a timely manner to support current pupils. Two schools retain a surplus above the maximum amount ordinarily considered reasonable and the Forum needs to decide whether these amounts should be retained by the relevant schools.
- 2.3 There are a number of schools with deficit balances, which have in total increased by £0.380m to £1.150m. The council and Schools Forum support schools facing financial difficulties through licensed deficit arrangements that set out medium to long term recovery plans that demonstrate that a temporarily short term over spend of annual income is recovered and a return to a surplus is achieved.
- 2.4 Schools are also permitted to retain unspent balances arising from capital related budgets. 2018-19 saw a significant one-off increase in capital allocations to reflect the announcements made in the Chancellor's 2018 Budget Statement. Funding increased from £0.260m to £0.772m. Schools normally receive small annual budgets for capital – around £8,200 for a primary school and £24,200 for a secondary – and often need to accumulate funding from a number of years in order to fully finance projects, hence average balances stand at 97% of annual income. Capital budgets are directly funded by Department for Education (DfE) grant and are outside the local claw-back scheme. DfE remove any unspent balances that remain 3 years and 1 month after allocation.
- 2.5 Whilst the amount of overall balances has improved, schools continue to face challenging financial circumstances.

3 RECOMMENDATIONS

That the Schools Forum NOTES:

- 3.1 The key performance information on all school balances, as set out in paragraph 6.3, and in particular;**
- i. Aggregate surplus balances have increased by £0.187m to £1.728m;**
 - ii. This is the first increase in balances for 7 years;**
 - iii. The value of deficit balances has increased by £0.380m to £1.150m and needs to be carefully monitored;**
 - iv. Significant surplus school balances have increased by £0.214m (44.1%);**
 - v. At 3.1%, average balances are considered to be at the minimum level required for working balances to safely cover unforeseen circumstances.**

That the Schools Forum AGREES:

- 3.2 That the entire significant surplus balances held by schools has been assigned for relevant purposes as set out in the approved scheme and should not be subject to claw back (paragraph 6.12).**
- 3.3 Whether any of the surplus balance currently held above the 16% limit should be retained by relevant schools or returned for re-distribution within the overall Schools Budget in respect of:**
- i. Sandy Lane Primary School, at £0.046m, and**
 - ii. Meadowvale Primary, at £0.009m.**

4 REASONS FOR RECOMMENDATIONS

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

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Not applicable.**

6 SUPPORTING INFORMATION

Calculating Statutory School Balances

- 6.1 The School Funding Framework 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.**
- 6.2 Attached at Annex A is a list of individual school balances as at 31 March 2019. Carry forward balances are calculated by deducting total net expenditure from new year funding and any accumulated balance. Outstanding loan advances are excluded to**

ensure true balances are identified. The percentage of carry forward is calculated against new year funding only to ensure any potential claw-back focuses on the use of new year funding only. Annex B provides a summary profile of deficit and surplus balances and movements compared to last year.

General comments on school balances

6.3 Some comments on the analysis are as follows:

1. Aggregate surplus balances have increased by £0.187m, from £1.541m to £1.728m. This is the first increase in 7 years and follows an improved performance in 2017-18 when the amount of draw down from reserves was £0.165m compared to a £1.661m draw down in 2016-17. This indicates a notable improvement in overall financial performance.
2. There has been a 6.3% (£0.062m) increase in surplus balances in the primary and PRU sectors and a 25.1% (£0.125m) reduction in the secondary and special sectors aggregate deficit balances. Excluding the £0.281m increase in surplus at Kennel Lane Special School highlights that Secondary School deficit balances increased by £0.156m.
3. On average, at 3.1% of total budget, average reserves are considered to be just above the minimum level required for sufficient working balances to cover unforeseen circumstances. Within the headline average surplus balance, there are 7 schools with a deficit and 4 schools with surpluses below the average level and which may therefore struggle to manage unforeseen cost increases.
4. The loan and licensed deficit schemes provide a mechanism to ensure that all schools, in particular secondaries, have sufficient funds in place to cover their approved, anticipated costs.
5. The average surplus balance for a primary school is £0.082m (6.3%) and secondary schools have an average deficit of £0.230m (5.8%).
6. The aggregate surplus balance of £1.728m comprises £2.879m from surpluses (was £2.311m) and £1.150m in deficits (was £0.770m). There has been an improvement in the level of surpluses and deterioration in the level of deficits.
7. The largest surplus balance held by a primary school is £0.427m (was £0.400m) and £0.237m for a secondary (was £0.162m).
8. The largest surplus balance as a percentage of budget is 18.4% (was 19.5%) and the greatest deficit is 12.1% (was 9.0%).
9. Five primary and two secondary schools were in deficit at the end of the 2018-19 financial year.

For Binfield Primary and Warfield Primary, balanced budget plans have been received for 2019-20, including funding of the deficits, which are expected to be delivered.

In respect of the deficits at Winkfield St Mary's and Easthampstead Park and Sandhurst Secondary schools, the Forum has previously agreed medium term loan or licensed deficit agreement with the governors. These agreements are currently under review with relevant schools, with discussions currently indicating the need to make some changes to current terms. This does not affect Winkfield St Mary's, which is on course to meet the original terms of returning to a surplus by the end of 2020-21.

For Ascot Heath Junior and The Pines, discussions are currently underway with governors in respect of agreeing medium term licensed deficit arrangements. This is on-going and is expected to conclude by the end of term.

A full update on proposed financial support arrangements to schools will be reported to the Forum in September.

- 6.4 Whilst there has been a welcome increase in aggregate surplus balances held in schools, there remain a number of schools that are experiencing financial difficulties that require licensed deficit arrangements to permit short term expenditure levels in excess of annual income or are operating with low levels of balances. Furthermore, working with schools on their 2019-20 budgets, whilst the expectation is that only 2 new licensed deficit proposals will be presented for consideration in September, significant work has been undertaken with 3 further schools which are expected to result in balanced budgets being agreed, but with further challenges anticipated in each of these schools for 2020-21.

Significant surplus balances

- 6.5 Following consultation with schools, the Forum agreed that where significant balances are not being held for a valid purpose a claw-back scheme would be applied to remove relevant amounts for re-distribution within the Schools Budget. This was based on the position at that time where up to 40% of annual income was being held within individual school balances when in principle there is an expectation that the significant majority of annual funding should be spent on pupils in school that year and not held back unnecessarily.
- 6.6 Whilst there is no desire to claw-back money from schools, and that has been the case to date, there is still a responsibility to challenge those with significant surpluses as to why more is not being spent on the educational needs of pupils currently in schools. However, it does also need to be recognised that there will be circumstances that support schools building up significant surplus balances to manage future events.
- 6.7 Members of the Forum will recall that the main principle of the claw-back scheme is that balances in excess of 5% for secondary and 8% for primary and special schools or PRUs have been defined as significant and schools should provide information of intended use where balances exceed these levels. No explanation is required on surpluses below these thresholds.
- 6.8 A range of valid purposes have been agreed that permit schools to retain significant surplus balances above these threshold levels. If funds are not being held for a valid reason, then they are subject to claw-back. Furthermore, there is an absolute cap as to what can be retained, even where it relates to a valid reason. The maximum thresholds are 10% for secondary and 16% for primary and special schools or PRUs although schools can make a request to the Forum to exceed the limit, which if not agreed can be appealed to the Executive Director - People.

Annex C sets out the agreed policy for the scheme to claw-back significant surplus balances.

- 6.9 Nine schools were identified as holding a significant surplus, which is an increase of one from the number at the end of 2017-18. The aggregate level of significant surplus balances amounts to £0.700m, an increase of £0.213m (+44.1%). The final two columns of Annex A highlight schools holding significant surpluses and the relevant amount. For

the second consecutive year, Sandy Lane Primary school holds a balance in excess of the absolute cap (£0.046m) at which funds would ordinarily be deducted, subject to a request for retention by the governors. The balance at Meadow Vale also exceeds the cap (£0.009m). Governors from both schools have submitted requests to retain these amounts which are detailed below from paragraph 6.14.

- 6.10 Relevant schools holding significant surplus balances have provided headteacher certified statements that confirm that these funds are being held for valid reasons, as set out in the scheme, with around 71% profiled to be spent in 2019-20 and 29% for future years.
- 6.11 In terms of the likelihood of schools completing the spend to schedule, plans have been categorised between uncommitted if governors have yet to agree the project, approved, once formally signed off by governors, and complete where spend has now been incurred. A summary analysis shows that 98% of planned spend has been approved with 2% yet to be formally committed by governors.
- 6.12 Based on these returns, the Forum is therefore recommended to agree that no claw-back should be applied. A summary of intended use of the significant surpluses is as follows:
1. £0.454m for funding future budget shortfall arising from a reduction in pupil numbers (41% of total significant surpluses)
 2. £0.280m to finance additional staff costs (26%)
 3. £0.182m for capital buildings, construction and refurbishment (17%)
 4. £0.170m for curriculum, IT and other one-off expenditure of a capital nature (16%)

Note: schools have indicated that £0.436m more will be spent on these items than is held on significant surpluses, with the excess being financed from within surpluses not categorised as significant.

- 6.13 The analysis of planned spend also shows that 79% is intended to be spent on day to day revenue related costs and 21% on capital projects.

Annex D sets out outline information on the spending intentions of schools with significant surplus balances.

Significant surplus balances above the maximum cap

- 6.14 As set out above in paragraph 6.5, schools have previously agreed through consultation that an absolute cap should be set on significant surplus balances at which point even if the funds are being held for a valid purpose, they would ordinarily be deducted. Both schools above the absolute cap have requested retention of the relevant amount, which is permitted in the scheme, and the Forum now needs to agree how to proceed.
- 6.15 The case made by the governors of Sandy Lane Primary school is set out in Annex E. This is the second consecutive year the school has exceeded the cap which in general arises for the same reason as the school has experienced a rapid and significant reduction in pupil numbers – down 134 (21%) over a 4 year period – which is now slowing, but is expected to reduce further in both 2019 and 2020. The school is subject to intensive monitoring, with the council having issued a Declaration of Concern and established a Standards Monitoring Board.

- 6.16 Building up a significant surplus balance has been a key objective of the governors in order to help best manage the future financial challenges which will benefit from retaining the full amount of surplus. The lagged pupil funding basis does present schools with falling rolls with additional time to adjust compared to when initial funding is based on actual pupil numbers. Further savings options are being explored for the future including reducing the number of classes through multi-age class teaching or setting classes with significantly higher than 30 pupils at Key Stage 2.
- 6.17 The case made by the governors of Meadow Vale Primary school is set out in Annex F. The Head teacher left the school in February 2018 with a substantive replacement put in post in January 2019 following a period of interim leadership through the autumn term. The school was also identified by the LA as causing concern and established a Standards Monitoring Board. These changes caused considerable disruption to the management of the school which had an overall financial impact on the surplus of £0.186m which was not expected when the budget was set as follows:
1. Reductions of £0.123m in staff costs from:
 - a. the Head Teacher replacement exercise
 - b. 2 senior staff entering maternity leave which is financed centrally through a de-delegated
 - c. Special Educational Needs Co-ordinator post vacant for 2 terms.
 2. Reduction of £0.040m on anticipated roof repair works which the council assessed as being of a capital nature and therefore to be funded through DfE grant rather than the school budget
 3. Additional parental income and insurance reimbursements of £0.023m
- 6.18 The implications from the deferred spend and staff vacancies has contributed to a number of cost pressures that the surplus is intended to be applied to as set out in Annex F.

Capital Funding

- 6.19 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, paying a fixed lump sum of £4,000 for all schools and £11.25 per pupil for primary aged pupils, £16.88 for secondary pupils up to 15 years of age, £22.50 for post 16 aged pupils and £33.75 for those in special schools. Total funding for the year amounted to £0.260m with the average allocation to a primary school at £8,252 and £24,151 for a secondary school.
- 6.20 DFC is provided 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 with buildings related projects needing to be approved by the council before they can proceed for reasons of health and safety. 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.
- 6.21 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.

6.22 Schools received additional one-off capital funding in 2018-19. This relates to a £400m grant for schools that was announced in the Chancellor's 2018 budget statement. Total funding for the year amounted to £0.512m with the average allocation to a primary school at £14,588 and £60,497 for a secondary school. The same conditions apply to this funding stream as to normal DFC, as set out above in paragraph 6.20.

Annex G provides a summary of individual school balances of DFC as at 31 March 2018.

6.23 Some comments on the analysis are as follows:

1. Aggregate unspent balances amount to £0.760m, which on a like for like basis with 2017-18 funding allocations represents an increase of £0.004m. It represents 98% of the annual funding allocation (was 97% in 2017-18) and reflects both schools building up funds in order to undertake more substantial projects than can be afforded from a single year's budget allocation and the December 2018 notification of the new £0.512m grant funding which left little time available to plan for new projects..
2. In these circumstances, 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. It does present an opportunity for schools to consider larger and more significant value projects than in the recent past.
3. All schools had a surplus at year end.
4. Three schools are in danger of having to return unspent grant at 31 August 2019, which aggregates to £0.008m. Relevant schools have been informed of this risk and all have indicated that they intend to fully spend the amounts by the deadline.

Conclusion

6.24 The difficult financial environment that schools are working in requires annual efficiencies or general cost reductions to be made each year to balance budgets. Whilst there are improvements in funding allocations over the next 2 years, they have not been significant enough to fully fund cost increases.

6.25 In respect of capital grants, the majority of schools continue to secure total funding for a project from DFC before it commences. The new one-off funding received in 2018-19 presents schools with an opportunity to consider larger than normal projects.

6.26 Overall, schools continue to show resilience to the difficult economic climate which indicates good cost control and financial planning although challenging circumstances remain.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

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

Director of Finance

- 7.2 The Director of Finance is satisfied that no significant financial implications arise from reporting 2018-19 school balances. Despite the overall improvement compared to last year, schools continue to operate in difficult financial circumstances and a number of risks exist.

Equalities Impact Assessment

- 7.3 There are no specific impact assessments arising from this report.

Strategic Risk Management Issues

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

8 CONSULTATION

- 8.1 Not applicable, applying statutory regulations and approved policies.

Background Papers

None.

Contact for further information

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2018-19 True School Revenue Balances (excludes loan advances)

School	2018-19 Funding (excludes outstanding loans and brought forward)	School Balances					Significant surplus	
		Real carry forward amount	Percentage of total Budget	Change from 2017-18	Percentage of total Budget last year	Change in Percentage of total Budget	Amount requiring explanation and permission (over 5% or 8%)	Amount above maximum cap
Ascot Heath Infant	£744,684	-£20,951	-2.81%	-£29,347	1.11%	-3.92%	£0	£0
Ascot Heath CE Junior	£872,546	£75,447	8.65%	£103,838	-3.30%	11.95%	£0	£0
Binfield CE Primary	£1,431,925	£5,972	0.42%	£14,018	-0.59%	1.01%	£0	£0
Birch Hill Primary	£1,559,596	-£11,671	-0.75%	-£1,366	-0.67%	-0.08%	£0	£0
College Town Primary	£2,043,327	-£197,125	-9.65%	-£119,623	-3.98%	-5.67%	-£33,659	£0
Cranbourne Primary	£764,441	-£23,843	-3.12%	-£8,941	-1.94%	-1.18%	£0	£0
Crowthorne CE Primary	£811,564	-£31,554	-3.89%	-£8,748	-2.84%	-1.05%	£0	£0
Fox Hill Primary	£949,968	-£32,420	-3.41%	£183	-3.72%	0.31%	£0	£0
Harmanswater Primary	£2,220,542	-£49,589	-2.23%	£208,146	-11.58%	9.35%	£0	£0
Holly Spring Infant	£1,079,267	-£172,656	-16.00%	-£90,135	-7.78%	-8.22%	-£86,315	£0
Holly Spring Junior	£1,264,738	-£96,217	-7.61%	£22,863	-9.58%	1.97%	£0	£0
Meadow Vale Primary	£2,610,726	-£427,215	-16.36%	-£184,360	-10.07%	-6.30%	-£208,858	-£9,499
New Scotland Hill Primary	£848,341	-£26,921	-3.17%	£9,171	-4.34%	1.17%	£0	£0
Owlsmoor Primary	£1,992,164	-£107,249	-5.38%	-£1,751	-5.37%	-0.01%	£0	£0
The Pines School	£1,204,137	£125,097	10.39%	£185,018	-5.36%	15.74%	£0	£0
Sandy Lane Primary	£1,924,602	-£354,304	-18.41%	£46,074	-19.50%	1.09%	-£153,968	-£46,368
St Joseph's Catholic Primary	£824,492	-£82,511	-10.01%	-£29,610	-6.66%	-3.34%	-£7,511	£0
Winkfield St Mary's CE Primary	£766,638	£5,808	0.76%	-£19,348	3.31%	-2.55%	£0	£0
St Michaels Easthampstead	£901,746	-£107,273	-11.90%	-£36,819	-7.88%	-4.02%	-£32,273	£0
St Michaels CE Primary, Sandhurst	£739,646	-£5,715	-0.77%	-£5,639	-0.01%	-0.76%	£0	£0
Uplands Primary	£912,685	-£101,330	-11.10%	-£59,648	-4.62%	-6.48%	-£26,330	£0
Warfield CE Primary	£1,694,287	£9,880	0.58%	-£29,586	2.54%	-1.96%	£0	£0
Whitegrove Primary	£1,462,077	-£209,972	-14.36%	-£60,299	-10.65%	-3.71%	-£93,006	£0
Wildridings Primary	£1,636,075	-£129,975	-7.94%	-£37,160	-6.09%	-1.85%	£0	£0
Woodenhill Primary & Nursery	£1,431,041	-£83,351	-5.82%	£30,285	-8.12%	2.30%	£0	£0
College Hall PRU	£766,100	-£50,941	-6.65%	£40,032	-11.97%	5.32%	£0	£0
Easthampstead Park	£4,166,850	£334,586	8.03%	£74,118	5.88%	2.15%	£0	£0
The Garth Hill	£8,871,979	-£237,679	-2.68%	-£75,275	-1.88%	-0.80%	£0	£0
Sandhurst	£4,888,448	£593,263	12.14%	£156,860	9.01%	3.13%	£0	£0
Kennel Lane	£3,957,787	-£318,385	-8.04%	-£280,527	-1.01%	-7.03%	-£1,762	£0
Total	£55,342,419	-£1,728,794	-3.12%	-£187,576	-2.84%	-0.16%	-£643,682	-£55,867
							-£699,549	
Total with loan advances		-£2,198,794	-3.94%					
Total outstanding loans		-£470,000						
Primary average	£1,307,650	-£81,986	-6.27%	NB this summary analysis excludes College Hall PRU and Kennel Lane Special School.				
Secondary average	£5,975,759	£230,057	5.83%					
Primary minimum	£739,646	-£427,215	-18.41%					
Primary maximum	£2,610,726	£125,097	10.39%					
Secondary minimum	£4,166,850	-£237,679	-2.68%					
Secondary maximum	£8,871,979	£593,263	12.14%					

Summary profile of deficit and surplus school balances – All Schools

Sector	2017-18				2018-19				Change in carry forward 2017-18 to 2018-19 (+ increase / - decrease in surplus)	
	Budget for the year (excludes b/forward)	Carry Forward with loan advances	Carry Forward excluding loan advances	Carry Forward as % of final budget	Budget for the year (excludes b/forward)	Carry Forward with loan advances	Carry Forward excluding loan advances	Carry Forward as % of final budget		
Primary and PRU	£32,527,670	£2,077,827	£2,037,827	6.26%	£33,457,355	£2,110,579	£2,100,579	6.28%	£62,752	3.08%
Secondary and Special	£21,666,850	£143,391	£-496,609	-2.29%	£21,885,064	£88,215	£-371,785	-1.70%	£124,824	-25.14%
Total including loan advances	£54,194,520	£2,221,218	£1,541,218	2.84%	£55,342,419	£2,198,794	£1,728,794	3.12%	£187,576	12.17%

Net Outstanding loans

£680,000

£470,000

Analysis of true net balances i.e. excludes loans								
Deficits		Surpluses					Significant Surpluses	
Number	Largest	Number	Largest	No. 0-5% of budget	No. 5-8% of budget	No. > 8% of budget	Number	Amount

2017-18

Primary and PRU	3	£39,466	23	£-400,378	10	6	7	8	£-485,567
Secondary and Special	2	£436,403	2	£-162,404	2	0	0	0	£0
Total	5	£769,889	25	£-2,311,107	12	6	7	8	£-485,567

2018-19

Primary and PRU	5	£125,097	21	£-427,215	8	5	8	8	£-697,787
Secondary and Special	2	£593,263	2	£-318,385	1	0	1	1	£-1,762
Total	7	£1,150,053	23	£-2,878,847	9	5	9	9	£-699,549

Change 2017-18 to 2018-19

Primary and PRU	2	£85,631	-2	£-26,837	-2	-1	1	0	£-212,220
Secondary and Special	0	£156,860	0	£-155,981	-1	0	1	1	£-1,762
Total	2	£380,164	-2	£-567,740	-3	-1	2	1	£-213,982

Approved scheme to control significant surplus school balances

Normal text indicates the wording for the BFC Scheme. Words in *italics* are offered as an explanation to the Scheme text and are not part of the Scheme.

Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions:

- a. the Authority shall calculate by 30 June each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;

Balances on Devolved Formula Capital and any other specific grant funded activities are excluded, unless allowed for in the relevant grant conditions.

- b. the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance from the previous financial year;

In this context, a prior year commitment is defined as a project previously agreed with the Authority to be excluded from the claw-back calculation, for example, capital building and construction projects – see c.i to viii below for full criteria to be used to establish a valid commitment against a surplus balance.

- c. the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned. Schools will be required to provide relevant information to support funds assigned for a specific purpose, in a format prescribed by the authority.

The criteria to consider whether sums are properly assigned are as follows:

- i. Capital building and construction projects
- ii. Furniture, IT and other one-off expenditure of a capital nature
- iii. Infrastructure, maintenance and refurbishment
- iv. Staffing remodelling and restructuring
- v. Specific curriculum resources
- vi. Balances held in respect of pupil focused extended activities
- vii. Money held to fund budget deductions known to be occurring in the next financial year e.g. fall in pupil numbers.
- viii. Other high cost activities, of a long term nature, agreed in advance with the Director of Children, Young People and Learning and the Schools Forum.

The conditions outlined here are intended to ensure schools can build up reserves towards particular projects but cannot defer implementation indefinitely. A change in the plans of a school is not allowed to be the only criterion by which a sum can be considered to be properly assigned or not. After the accounts are closed each year, the Authority will contact schools with significant

surplus balances to agree whether any of the balance has been properly assigned for a specific purpose and can therefore be deducted from the claw-back calculation.

The above specified criteria have previously been approved by the Schools Forum following consultation with schools where they were supported by the vast majority of respondents.

- d. if the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools and Pupil Referral Units (PRUs), then the Authority shall deduct from the current year's budget share an amount equal to the excess.
- e. the calculation will be made against the final budget for the year in question i.e. after any contingency funding, significant in-year pupil growth allocation etc. The deduction will be made annually in arrears i.e. the final balance at 2011-12 calculated against the final budget for 2011-12 (known around June 2012) will be deducted at the start of the 2013-14 financial year.

This paragraph has been added to make clear that the calculation will be made against final and not initial budgets. It is also proposed to delay any claw-back for one year to allow relevant schools time to plan for the change when setting subsequent budgets.

- f. Any amount proposed by a school that relates to an assigned amount of the surplus, as calculated at step c above shall be limited to no more than 5% of the current year's budget share for secondary schools and 8% for primary and special schools and Pupil Referral Units (PRUs) i.e. is limited to the same amount that schools may retain without assignment.
- g. Should any school wish to retain a higher surplus than permitted in step f above, the Schools Forum will consider each referral on a case by case basis, taking account of the merits of each individual proposal based upon the submission made by the school.
- h. An appeal against a decision by the Forum in step g. can be made to the relevant Director. The Director's determination will be final.
- i. Where, at 31 March 2014, a school holds a surplus balance in excess of step f, this can be retained until 31 March 2017 without specific approval of the Forum.

Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority

Analysis of significant school surplus balances

School	Significant Surplus					
	Type of spend			Spend by year (finish date)		
	Uncommitted	Approved	Complete	2019-20	2020-21	2021-22 onwards
<u>College Town Primary (9.65% total surplus)</u>						
Lead practitioner out of class for 2 school years to develop staff and improve the teaching and learning to ensure continuity across both phases		£43,979		£31,044	£12,935	
Protected staff salaries following support staff restructure for school amalgamation		£20,904		£8,650	£12,254	
Redecoration and new flooring in Year 5/ 6 corridor, KS2 kitchen and corridor and Year 4 corridor to bring areas not completed as part of school amalgamation adaptations		£13,000		£13,000		
Total accounted for		£77,883		£52,694	£25,189	£0
Amount of significant surplus		£33,659				
<u>Holly Spring Infants (16.00% total surplus)</u>						
Staff remodelling and restructuring due to amalgamation to Primary School		£90,000		£30,000	£60,000	
Total accounted for		£90,000		£30,000	£60,000	£0
Amount of significant surplus		£88,315				

School	Significant Surplus					
	Type of spend			Spend by year (finish date)		
	Uncommitted	Approved	Complete	2019-20	2020-21	2021-22 onwards
<u>Meadow Vale (16.36% total surplus)</u>						
Perimeter fence and access gate. Contribution to replacement following recommendations from safeguarding audit		£10,000		£10,000		
Exceptional purchase of curriculum resources and IT infrastructure following analysis and action plan agreed with Standards Monitoring Board		£95,000		£95,000		
Pupil Premium Resources catch up. Investment in nurture, resources, coaching and hardship club following analysis and action plan agreed with Standards Monitoring Board		£105,000		£105,000		
Upgrade to children's toilets to improve health and safety		£30,000		£30,000		
Transition to reduced funding at the Rainbow Resource Provision, following lower number of pupil admissions		£100,000		£100,000		
Total accounted for		£340,000		£340,000	£0	£0
Amount of significant surplus		£208,858				
<u>Sandy Lane (18.41% significant surplus)</u>						
Balance held in anticipation of reduction in pupil numbers		£354,000		£223,000	£131,000	
Total accounted for		£354,000		£223,000	£131,000	£0
Amount of significant surplus		£153,968				
<u>St Josephs (10.01% total surplus)</u>						
Purchase & installation of outdoor fitness equipment		£15,000			£15,000	
Total accounted for		£15,000		£0	£15,000	£0
Amount of significant surplus		£7,511				

School	Significant Surplus					
	Type of spend			Spend by year (finish date)		
	Uncommitted	Approved	Complete	2019-20	2020-21	2021-22 onwards
<u>St Michael's Easthampstead (11.9% total surplus)</u> Outside reflection area - make use of currently overgrown area at back of building to provide a quiet space for reflection & prayer and use for the ELSA and as outside classroom where required Adventure playground replacement		£40,000			£40,000	
		£40,000			£40,000	
Total accounted for		£80,000		£0	£80,000	£0
Amount of significant surplus		£32,273				
<u>Uplands (11.10% total surplus)</u> Capacity to run extended school support/collaborative Teaching School activities.	£26,330			£26,330		
Total accounted for		£26,330		£26,330	£0	£0
Amount of significant surplus		£26,330				
<u>Whitegrove (14.36% total surplus)</u> Maintenance and refurbishment of external environment for health and safety reasons staff remodelling & restructuring		£44,500		£44,500		
		£48,506		£48,506		
Total accounted for		£93,006		£93,006	£0	£0
Amount of significant surplus		£93,006				
<u>Kennel Lane (8.04% total surplus)</u> To refurbish boys toilet		£5,000		£5,000		
Total accounted for		£5,000		£5,000	£0	£0
Amount of significant surplus		£1,762				
Total	£26,330	£1,054,889	£0	£770,030	£311,189	£0
Total	2%	98%	0%	71%	29%	0%
Total		£1,081,219			£1,081,219	



**Requests to carry forward significant surplus balances above the cap:
Sandy Lane Primary**

Budget position at Sandy Lane Primary School 2019-2021

Summary

Sandy Lane currently is holding a surplus balance of £354k which has reduced from £400k in 2017-18. We envisage £223k of this carry forward will be used during 2019-20 to offset the reduced income from the drop in pupil numbers and rising costs. The balance of the carry forward will be completely absorbed in setting the budget for 2020-21. A decision was made earlier in this academic year not to look at restructuring the staffing this year as the school is currently making good progress and it was felt it would be detrimental at the present time to both pupils and staff. This has been discussed with the governing body and the Schools Management Board who supported this decision. It is however recognised that a restructuring progress is highly likely moving forward.

A new business manager started with the school in April 2018 and has spent time getting to grips with the budget and the pressures moving forward. In the later part of 2018-19 there were several projects that the school started looking into to improve the quality of teaching and resources in school. This was only undertaken once the business manager had spent time evaluating the budget situation and felt the schools finances could support these. The 2 main areas being IT and reading and following research quotes have been received, although to follow the correct procurement procedure this is an area we were not able to complete in the financial year and aim to complete during 2019-20.

When the budget was set for 2018-19 we had predicted that we would have a surplus of £215k but is in fact £354k. This has been achieved as we have not replaced staff who have left and have reduced spending in other areas and as mentioned above not managed to complete some larger projects. We have also increased our lettings to generate additional income and have been in receipt of staff insurance refunds which had not been budgeted.

Pupil Numbers

Capacity if full (exc Nursery)	630
October 2015	622
October 2016	593
October 2017	513
October 2018	488
October 2019	451 (based on EYFS intake September 2019)
October 2020	436 (based on numbers from BFC)

Pupil numbers at Sandy Lane have been relatively stable since October 2017 but at the end of this academic year we will lose our largest year group and have had reduced admissions in to Early Years due to the low birth rate. The table below shows that moving forward we have spaces in each year group and classes will not be at the optimum size of 30 which will have an impact on the budget (income and expenditure).

Pupil Numbers

Age	Year	Key Stage	Oct 2017	Oct 2018	Oct 2019	Oct 2020
5	Reception	Early Years	58	42	57	52
6	Year 1	KS1	62	69	42	57
7	Year 2	KS1	78	60	69	42
8	Year 3	KS2	74	82	60	69
9	Year 4	KS2	67	74	82	60
10	Year 5	KS2	96	67	74	82
11	Year 6	KS2	78	94	67	74
Total			513	488	451	436

Budget modelling

For budget setting, we have worked on the basis of the pupil numbers shown in the table above. This generates an in year budget deficit of £223k for 2019-20, but an overall surplus of £131k. Our current budget model (as below) is showing that the 2020-21 budget cannot be balanced and we are therefore looking at options as to how we can reduce our costs and also any way that we can increase pupil numbers.

To reduce costs we have options to reduce the number of classes by combining classes across year groups or running with class sizes significantly above 30 in KS2 which would mean a reduction in our teaching staff numbers. It must be noted however that Sandy Lane, consider this to be detrimental to the aim of achieving improvements. As you will be aware, we have already been through a restructure of class support staff which cut support staff costs and as there is no significant natural wastage on TAs that we can take advantage of to further reduce costs. During 2018-19 savings have been made to build up a bigger reserve to help us combat the reduction in income but to continue moving the school forward.

In setting the 2019-20 budget the increase to teacher's pensions has been included in staffing costs with a grant from the DfE shown in income. However no allowance has been made for this grant in 2020-21 and in fact as always there are many unknown or uncertain areas.

We are actively promoting the school with the intention of attracting new pupils. The school has a Facebook page and are on twitter and have had several positive articles printed in the local

newspapers. This is an area we intend to continue working on.

2019-20 Budget / 2020-21 Forecast

	Submitted 2019-20	Forecast 2020-21
Allocated Income	1,881,732	1,752,230
Pupil Premium	107,560	85,000
Sports Funding	20,510	20,000
UIFSM	77,350	80,000
Grants – Pay/Pension	55,421	16,454
Self-Generated Income	67,700	69,700
Carry forward	354,304	131,303
Total income	2,566,577	2,154,687
Staffing	1,968,223	1,924,519
Other staff related costs	17,543	12,543
Site	174,838	162,838
Resources / Catering	217,729	217,729
Services / Agency	84,441	65,942
Total expenditure	2,435,274	2,374,570
In year Surplus / Deficit	(223,001)	(351,186)
Surplus / Deficit brought forward	354,304	131,303
Cumulative surplus / deficit c/fwd	131,303	(219,883)

Assumptions:

- 2019-20 staffing based on current position
- 2020-21 staffing has a reduction in teaching staff although it is recognised that further reductions will need to be looked into in order to balance the budget
- Includes modelled numbers for nursery provision
- Self generated income includes income from school meals, lettings, donations and parental contributions to trips.

Requests to carry forward significant surplus balances above the cap: Meadow Vale Primary

Proposed Surplus Balance Clawback – Meadow Vale Primary School

I am responding to your recent email to schools which relates to the analysis of 2018/19 Schools Revenue expenditure and the positive balances identified by your team. The purpose of this note is to explain how we have accumulated a surplus balance, what we plan to do rectify it and to seek your support at the Schools Forum meeting in **gaining agreement to retain both our balance over 16% (£9,499) and our balance between 8% (£208,858) and 16% (£417,716).**

Background

In the case of Meadow Vale Primary School, you have highlighted a surplus balance of £427,215 which represents 16.36% of our 2018/19 funding allocation of £2,610,727. This consists of a carry forward figure from 2017/18 and a surplus of £184,361 for 2018/19. You will also be aware that our High Needs funding for the Rainbow special Unit has been reduced by £100,000 for 2019/20.

Context

Meadow Vale Primary has had a tumultuous 15 months from February 2018 when budgets were being set. As you and the Schools Forum will be aware, our then Head Teacher, Mrs Lee Parsons resigned. Our first HT recruitment attempt was unsuccessful and we sought LA help in appointing an Executive Head for the autumn term. It took us until nearly the start of the summer holidays to re-run the process and identify a suitable candidate (Mrs C Forrester) who took over as substantive Head Teacher in January 2019.

During that same period, the STEP advisor identified that the school was “cause for concern” and in September we were placed under the School Management Board framework, to ensure a rapid and structured improvement plan was put in place and executed effectively. We requested a Safeguarding Audit by the LA, which created a number of key action points, one of which has a significant financial impact in 2019/20, which I will refer to shortly.

As a result, it is fair to say, our management efforts as a Governing Body were focussed on HT recruitment, analysing/improving the OFSTED defined causes for concern and resolving the safeguarding issue, rather than financial surpluses.

Revenue Impact

During 2018/19, we had 4 major areas of cost which were at variance to budget (helping to create the surplus);

- Emergency Building Work – We were aware that we had a serious problem with the roof over the top half of the school. This was leaking badly and causing a health hazard to staff and children. Investigations supported by the LA property team confirmed this needed to be replaced, not repaired. We had made a budget allowance of £50k for this in the 2018/19 budget under planned maintenance and suspended all other planned maintenance work in the expectation of such a large cost. The avoided planned maintenance on children’s toilets and IT infrastructure would have been similar in cost. However, post budget enquiries with the Property team at the LA resulted in this being treated as a capital item and a resulting cost to the school of 5% or £10k. This created a surplus of £40k vs. budget.
- Senior Staff Costs – Our Executive Head was supporting us for 3 days per week in the autumn term, rather than 5 days per week as budgeted. This created a surplus of £7k vs. budget. We had a deputy head and a senior teacher go off on maternity leave, funding for which is covered under the LA service agreement. This created a surplus of £86k vs. budget. We also had 2 terms without a dedicated SENCo, creating a surplus of £30k.

- We had a significant change in amounts and timing for transfer of School Fund payments from parents which tipped into the 2018/19 accounts and resulted in a surplus of £18k and an insurance payment of £5k.

All told, we had £186k of costs/delayed income we expected to incur which did not happen during the 2018/19 budget year, which we could not have foreseen when setting the budget in March 2018.

If we look at 2019/20, we are faced with 5 or 6 key issues we need to resolve which will reduce our surplus balance back within the normal tolerances of 8% (£224k in 2019/20).

- The follow up from the safeguarding audit has highlighted a serious issue with children's ability to abscond from the school premises and preventing unauthorised entry by potential intruders. We have worked closely with Chris Taylor and his team, who advise us that the whole perimeter fence and all access gates need to be replaced and/or updated as a BFC funded capital bid, for which we will be required to fund 5%. We do not yet have a final budget, but know this will be measured in the £100,000s. If we assume £200,000 cost, we need to allocate £10,000 as our share.
- The outcome of the "cause for concern" analysis and action plan has identified some serious under-investment in curriculum resources. We have made a start in 2018/19 with £20k toward some reading books to replace our rather antiquated ones for part of the school. It is likely that we will need to spend between £50k and £80k on curriculum materials in 2019/20. We also need to accelerate the replacement cycle for our IT infrastructure (items such as classroom whiteboards which were part of the original pilot in Bracknell Forest!) at a cost of at least £30k.
- That same "cause for concern" analysis has highlighted an under-investment in Pupil Premium capability and resources which need to be brought back up to level required to support our PPG children going forward. We have identified one-off costs of £105,000 covering nurture, resources, coaching and hardship club funding.
- The deferred planned maintenance on our building infrastructure is pressing. We have serious health and safety issues with our children's toilets which will cost at least £30k to rectify and the list of more minor items is likely to absorb our normal £11k year-on-year allocation.
- We have had £100k of our Rainbow Special Unit budget removed following the 2019/20 review of high needs funding.
- The School Places Planning Strategy model produced by Chris Taylor suggests that the impact of 2018 and 2019 opening 3 new primary schools nearby in Binfield and Warfield (which previously fed some children into Meadow Vale) will impact our Reception intake by around 4 - 8 children, out of a PAN of 90. Over time, this will flow through subsequent years and eventually reduce our pupil numbers and pupil based funding by 5%-10%. At this stage, it is too early to assess the actual financial impact for 2019/20, so this has not been quantified specifically, but rather left as a strategic risk.

Summary

We ask the Schools Forum to review our financial circumstances for 2018/19 and 2019/20 summarised below and recognise the exceptional circumstances which contributed to a mistaken one-off revenue surplus which will be removed during 2019/20. **We request that no claw back occurs from the 2019/20 budget and we will ensure any 2019/20 carry forward surplus is well within the agreed target of 8%.**

Meadow Vale Primary - Analysis of Surplus Revenue Balances

	2018-19		2019/20		2020/21
Balance Brought Forward (Previous Year)	£242,854		£427,215		£80,700
Funding Allocated	£2,610,727		£2,850,574		
Total Funding for Year	£2,853,581		£3,277,789		
Net in year expenditure	£2,426,366		£3,197,089		
Revenue Balance	£427,215	16.36%	£80,700	2.83%	
Additional Earmarked One Off Costs - 2019/20					
Perimeter Fence			£10,000		
Exceptional Curriculum Resources			£65,000		
Exceptional IT Infrastructure			£30,000		
Reduced Rainbow Funding			£100,000		
Children's Toilets			£30,000		
Pupil Premium Resources Catch Up			£105,000		
TOTAL			£340,000		

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2018-19 School Capital Balances

School	2018-19 new year funding £	Carry forward			Amount that must be spent by 31 August 2019 £
		Total Amount (+surplus / -deficit) £	Percentage of new year funding £	Change from 2017-18 (+increase / -decrease) £	
Ascot Heath County Infant	15,974	24,410	152.81%	9,546	2,163
Ascot Heath CE Junior	17,274	23,174	134.16%	13,494	
Birch Hill Primary	25,666	13,162	51.28%	11,932	
College Town Infant and Nursery	26,508	30,225	114.02%	26,508	
College Town Junior	6,813	6,988	102.57%	6,813	
Cranbourne Primary	15,931	15,663	98.32%	11,159	
Crowthorne CE Primary	16,147	17,735	109.83%	3,719	
Fox Hill Primary	16,353	15,637	95.62%	7,733	
Harmanswater Primary	34,666	41,383	119.38%	28,908	
Holly Spring Infant and Nursery	19,797	12,845	64.88%	5,776	
Holly Spring Junior	22,390	27,542	123.01%	7,708	
Meadow Vale Primary	34,202	43,160	126.19%	14,926	
New Scotland Hill Primary	16,312	17,053	104.54%	8,472	
Owlsmoor Primary	32,173	23,436	72.84%	18,110	
Pines	19,511	14,078	72.15%	13,992	
Sandy Lane Primary	32,404	32,158	99.24%	27,023	
St Marys CE Primary (Winkfield)	15,757	26,948	171.02%	15,757	4,873
Uplands Primary	17,283	23,018	133.18%	10,575	
Warfield CE Primary	21,873	28,488	130.24%	18,948	
Whitegrove Primary	25,077	34,889	139.13%	25,077	738
Wildridings Primary	24,609	16,212	65.88%	15,813	
Woodenhill Primary and Nursery	22,913	16,103	70.28%	12,019	
College Hall PRU	10,252	7,451	72.68%	2,675	
Easthampstead Park	61,838	18,131	29.32%	12,907	
Garth Hill	118,951	147,729	124.19%	111,771	
Sandhurst	73,153	63,277	86.50%	49,420	
Kennel Lane	28,328	18,793	66.34%	17,965	
Total	772,155	759,688	98.39%	508,746	£7,774

	Basic DFC	One-off share of £400m	Total
Primary average	£8,252	£14,588	£22,840
Secondary average	£24,151	£60,497	£84,647