

READING BOROUGH COUNCIL
REPORT BY FINANCIAL SERVICES

TO:	Reading Schools Forum		
DATE:	06 October 2016	AGENDA ITEM:	6
TITLE:	School Balances at 31 st March 2016 - Review of Excess Balances Exercise		
SERVICE:	Education, Children & Early Help Services	WARDS:	All
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1. PURPOSE AND SUMMARY OF REPORT

- 1.1 To report back to Schools Forum regarding schools that held excess surplus balances in the context of the balance control mechanism.

2. RECOMMENDED ACTION

- 2.1 To note the contents of the report and the decision making powers and responsibilities that Schools Forum has.
- 2.2 To advise the LA regarding schools that held excess surplus balances in the light of the powers and responsibilities held, in the light of the reasons given in July 2016 and the last 5 years data.
- 2.3 To note the increase risk of deficits left by academy converters. A potential means of funding this would be by clawing back some element of excess balances using the balance control mechanism. However this would be a decision for Schools Forum and not the local authority.

3 POLICY CONTEXT

- 3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

4 SCHOOL BALANCES

4.1 Background

4.1.1 Schools forum meeting in May 2016 requested the LA collect information regarding committed balances from schools holding excess revenue balances as at the 31st March 2016. Additionally they requested that officers provide an opinion as to whether balances were being held for reasonable and valid purposes. This was provided in July schools forum. Appendix 1 has the March 16 balances.

4.1.2 The Scheme of Finance sets out the powers and responsibilities that Schools Forum have in respect of the balance control mechanism:

- Schools' Forum will assess schools with excess balances as to the extent to which the balance is committed, planned or assigned for a specific purpose.
- Where Schools Forum is satisfied the school's excess balance is not properly committed, Schools' Forum may authorise the Authority to collect excess balances above the threshold.
- Any sums collected through this mechanism will be held within the total Schools Budget for re-distribution across all schools.
- Where a member of Schools' Forum represents a school with an excess balance, they must declare a conflict of interest and would be excluded from participating in any decision regarding whether or not excess balances are to be collected from that school.

4.1.3 Finance sent a form to schools holding excess balances requesting information regarding those balances to the following schools: -

- All Saints
- Blessed High Faringdon
- English Martyrs
- Geoffrey Field Infant
- Geoffrey Field Junior
- Katesgrove
- Newtown
- Newbridge Nursery
- New Christ Church
- St Johns

4.1.4 Schools Forum in making its deliberations is asked to note the context of:

- The deficit on the high needs block
- The risk of forced academies leaving large deficits
- The risk of academy converters taking large surpluses
- The fact that a number of schools holding excess balances this year also held excess balances last year

4.1.5 One action agreed at July's School forum was a review on the balances for all schools with excess balances in the last 5 years to allow members to review and patterns and see if any balances have been increasing. Appendix 2 shows all excess balances since 2011.

4.2 Summary from LA Schools Accountant for Schools Forum

4.2.1 After looking through the excess balances over the last 5 years, we have noticed most schools do not continue to hold excess balances every year.

4.2.2 Excess balances are classed as 5% or 8% of the school budget share and in the case of smaller schools, this may be quite a low balance, so there is an increased likelihood that an excess balance will arise. All Saints Infant, one of the smallest schools has had excess balances for all 5 years. The threshold for this school is only 27k and this alone would not even pay for one full time teacher. The Average primary threshold for Reading is £110k.

4.2.3 Sometimes school balances can be affected by additional income associated with Academy Conversion that needs to be carried over into the new year to meet the associated costs. For 2015-16 potentially 2 schools were going to convert on the 1st April 2016 (St Johns and Newtown) and had received grant from the EFA for the conversion. This is only one example, however in the last 4 years the number of grants to schools has increased and guidance for these grants suggests that these can be carried over.

4.2.4 Schools sometimes wish to accumulate balances to pay for long term projects, mostly for Capital purposes. English Martyrs and Blessed Hugh Farringdon have capital projects underway that would eventually show the excess balance increasing every year.

As many schools have had expansion projects over the last 4 years then we would anticipate some schools have set aside surplus funds to pay for any unknown expenditure pressures when the expansion is finished. This would be more attached to spend on education consumables that would also include IT for pupils and staffing re-organisation.

4.2.5 Maintained Nursery settings are also part of the excess balance exercise but receive funding in accordance with the Early Years Single Funding Formula and private fees.

Due to the recent changes in Early Years Funding or 17-18 we would strongly recommend that any balance on maintained nurseries should be retained to support them in transition especially when maintained nursery are likely to lose funding within the new early years national formula.

4.2.6 Deducting funds from school balances at this stage of the financial year could disrupt school monitoring and plans. We advise against removing funds for 15-16, but if there is a desire to do this in future then Schools Forum should agree clear guidelines for 16-17 in advance. This could entail notification to all maintained schools that every pound over the threshold will automatically be taken away and requests to keep excess funds to go to schools forum in July 17. This process is completely managed by Schools Forum and the LA would action any Schools Forum agreement/decision.

Appendix 1: 31 March 2016 Excess Balances

School Name	Excess Balance as at 31/03/2016	Staffing / remodelling	Contingency Funds	Specific Curriculum Resources / Special Facilities	Grants C/Fwd	Furniture, IT, one off expenditure (capital nature)	Maintenance & Refurbishment	Total
All Saints	70,373	42,211					30,990	73,201
English Martyrs	134,104						182,000	182,000
Geoffrey Field Infant	25,603	16,450		7,159			6,801	30,410
Geoffrey Field Junior	48,388	74,200		14,000			48,000	136,200
Katesgrove	51,104	54,500					4,700	59,200
New Town	146,096	45,573		11,294	20,000	51,461	90,369	218,697
St Johns	68,230			124,326	61,669		10,000	195,995
New Christ Church	21,361					15,000	20,000	35,000
Blessed Hugh Faringdon	114,063		101,262	31,803		150,500		283,565
Newbridge	25,807			30,000			44,045	74,045

Some Schools have only given us details on the excess amounts and/or total school balance.

Appendix 2: Excess Balances over the last 5 years

15-16 Threshold			Excess balance over threshold				
			11-12	12-13	13-14	14-15	15-16
27,723	8%	All Saints Infant	51,899	68,217	48,668	63,706	70,373
87,884	8%	Coley Primary School	28,992	23,447			
135,834	8%	English Martyrs'			11,744	64,666	134,104
96,966	8%	E P Collier Primary School	47,758				
117,450	8%	Geoffrey Field Infant School				59,145	25,603
123,262	8%	Geoffrey Field Junior School	36,482	18,215			48,388
225,705	8%	Katesgrove Primary School	5,401	258,406	250,223		51,104
135,162	8%	Manor Primary School	44,062		5,996	4,858	
132,293	8%	Micklands Primary School	6,952		2,796	45,322	
166,911	8%	Moorlands Primary School	19,714	25,739			
106,180	8%	New Town Primary School			27,846	30,594	146,096
97,976	8%	Oxford Road School	27,232	71,164	9,837		
87,577	8%	Redlands Primary School			3,745	8,336	788
156,190	8%	Southcote Primary School	59,929				
130,859	8%	St John's	4,506		8,627	16,161	68,230
56,646	8%	St Martin's		1,134	7,186	6,047	
142,811	8%	St Mary and All Saints			47,310		
110,847	8%	St Michael's Primary School					4,812
129,017	8%	Thameside Primary School	19,305		475		
124,214	8%	The Ridgeway Primary School	15,614	13,871	51,612	61,078	
142,239	8%	Wilson Primary School	19,130	11,133	8,762	47,266	1,141
73,524	8%	New Christ Church			22,961	12,879	21,361
230,291	5%	Blessed Hugh Faringdon			58,379	44,413	114,063
120,975	8%	Phoenix College					14,109
72,247	8%	The Holy Brook School		9,908	26,530		14,374
34,772	8%	Blagdon Nursery	82,541	157,882	91,246	30,339	2,165
18,956	8%	Blaggrave Nursery	2,392	6,235		4,304	12,921
15,774	8%	Caversham Nursery	21,829				
37,018	8%	New Bridge Nursery			13,969	14,997	25,807
31,949	8%	Norcot Early Years Centre	44,801	13,913			
			538,539	679,264	697,911	514,110	755,440