

# **Schools Forum 19 September 2012**

## **Preliminary Report on School Balances as at 31 March 2012 - For Information**

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### **Introduction:**

This report provides updated information on school balances held as at 31<sup>st</sup> March 2012, as reported by schools to the DfE. It identifies any trends compared with previous years and reports on the position relating to schools with deficits and those with excessive reserves.

The DfE have aimed to address concerns raised in a National Audit Office report in October 2011, which said one in five secondary schools were in deficit at the end of 2009-10 and almost half of councils believed they lacked sufficient resources to effectively monitor schools' financial management.

Under the plans, the department will write to councils asking for an explanation if they meet the following proposed criteria:

- A local authority has over-spent its DSG by 2% or more
- A local authority has under-spent its DSG by 5% or more
- A local authority has 2.5% of schools that have been in deficit of 2.5% or more since 2007-08 (i.e. for 4 years)
- A local authority has 5% of schools that have had a surplus of 15% or more since 2006-07 (i.e. for 5 years)

This is the context of this report. There are no schools that fall into the final two categories above in Waltham Forest.

From the analysis below it can be seen that School balances continue to rise in both Primary and Secondary Sectors. The Schools Team is in the process of collating information on how the accumulated reserves are being spent, based initially on information supplied in ratified budgets for 2012-13. Schools are encouraged to have more control over their budgets by having clear and transparent spending plans that should at least invest into improving standards of performance.

### **School Balances**

The analysis below reviews the trends in the movement of revenue and capital.

- Table 1 illustrates total revenue and capital balances by sector
- Table 2 lists the schools with deficit balances as at 31.03.2012
- Graph 1 demonstrates the movement in total revenue balances
- Graph 2 demonstrates the movement in total capital balances

In addition, the four attached appendices give the details relating to each of our schools for the period 2009/10 to 2011/12

- Appendix A shows the movement in total school balances
- Appendix B shows the movement in revenue balances
- Appendix C shows the movement in capital balances
- Appendix D shows the schools holding reserves over the recommended Waltham Forest threshold of 5% for primary schools, 4% for all through, and 3% for secondary and special schools.

The table below illustrates the movement of total revenue and capital school balances between 2008/09 up to 2011/12. Total revenue balances include school delegated grants and any other income raised by the schools and children centres.

**Table 1: Total Revenue and Capital Balances by Sector**

Year	2008-09	2009-10	2010-11	2011-12
<b>TOTAL REVENUE BALANCES (£)</b>				
Nursery Schools	766,872	534,762	474,304	341,126
Primary Schools	5,221,509	4,838,123	4,507,074	7,024,218
Secondary Schools	1,674,006	1,213,439	744,453	3,052,977
All Through Schools	0	405,664	385,718	965,797
Special Schools	-183,069	110,216	503,543	661,771
<b>TOTAL REVENUE</b>	<b>7,479,319</b>	<b>7,102,204</b>	<b>6,615,092</b>	<b>12,045,889</b>
<b>TOTAL CAPITAL BALANCES (£)</b>				
Nursery Schools	180,673	249,473	266,423	126,172
Primary Schools	2,458,271	2,081,251	1,803,555	1,363,656
Secondary Schools	943,934	773,120	659,239	421,436
All Through Schools	0	114,555	40,189	37,334
Special Schools	52,857	62,806	68,745	21,140
<b>TOTAL CAPITAL</b>	<b>3,635,735</b>	<b>3,281,204</b>	<b>2,838,151</b>	<b>1,969,738</b>
<b>GRAND TOTAL</b>	<b>11,115,054</b>	<b>10,383,409</b>	<b>9,453,243</b>	<b>14,015,627</b>

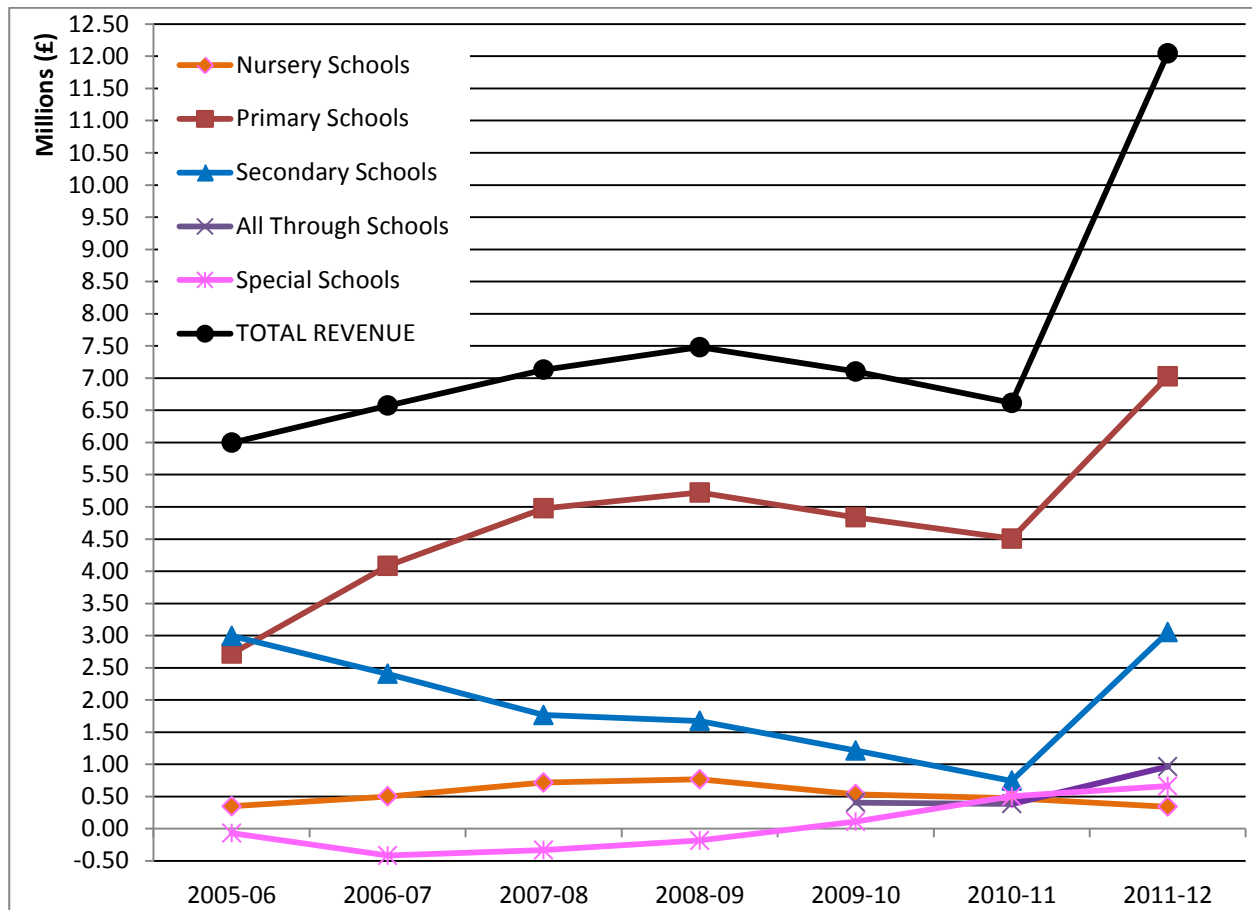
*\* All the balances exclude schools converted to academy status up until 2011-12.*

The table above illustrates that total reserves have increased by £4.5 million between 2010/11 and 2011/12.

### Trends in Revenue Balances:

The graph below demonstrates the trend in total revenue balances in the last 7 years by school sector.

**Graph 1: Movement of Total Revenue Balances**



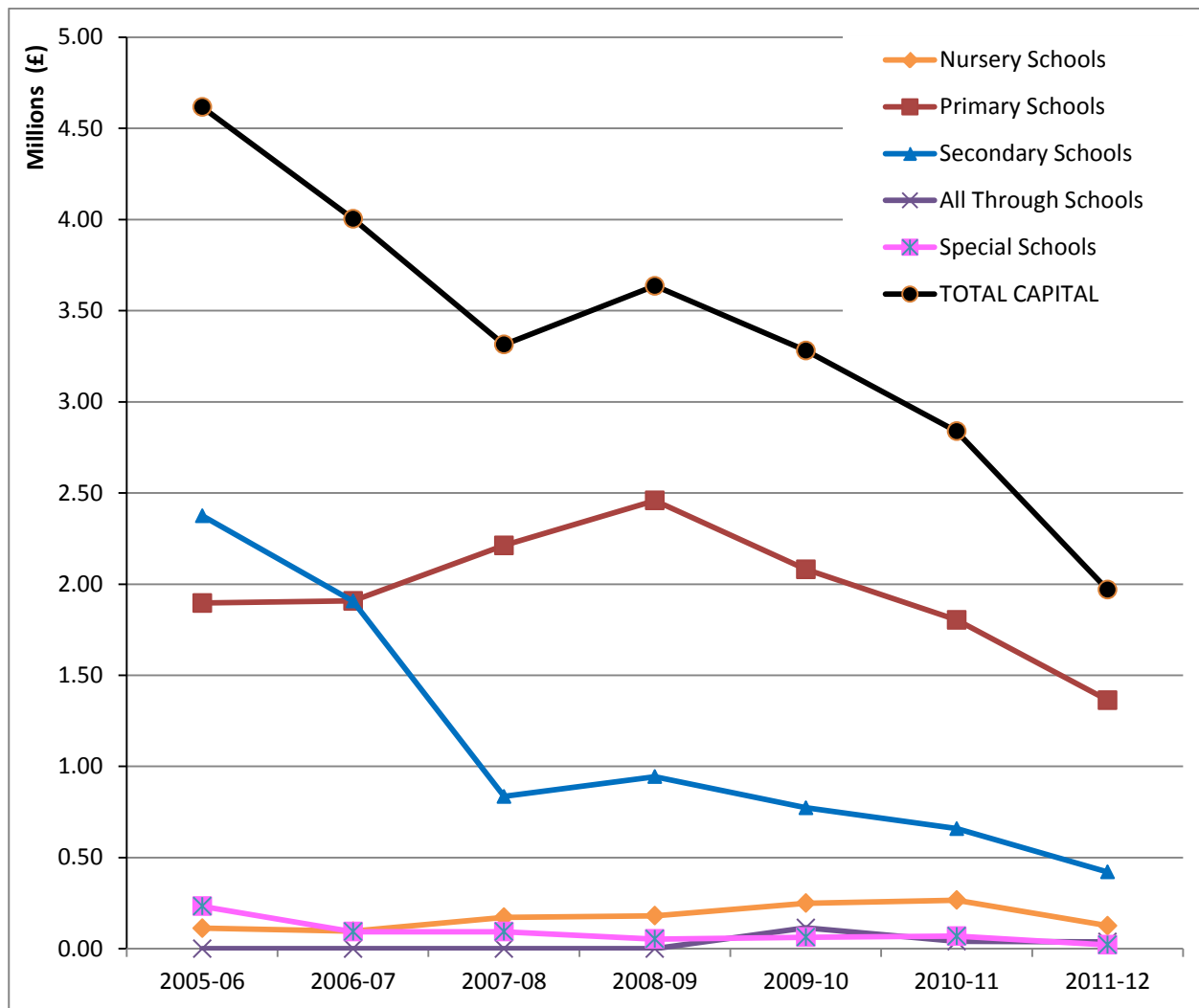
Between 2010/11 and 2011/12 there has been a significant increase in the revenue balances of schools. An increase of £5,430,797 or 82% compared to last year.

From the graph it can be seen that both primary (56%) and secondary sectors (310%) show an increase in the reserves, whilst the reserves of the secondary sector shows a sharper increase. Except Heathcote, all secondary schools have recorded an increase in reserves during the year.

### Trends in Capital Balances:

The graph below demonstrates the trend in total capital balances in the last seven years by school sector.

**Graph 2: Movement of Total Capital Balances**



Schools are allowed to carry forward capital balances. However, DfE requires the LA to monitor capital grants with specific conditions, which if not met may result in repayment. Total capital reserves have continued to decrease. Total capital reserves dropped by £868,414 between 2010-2011 and 2011-12. One of the main contributors to this trend was DfE reducing the Devolved Capital Grant by 80% from £3.5 million to £700,000 during 2011-12.

### **Schools with Revenue Deficits:**

Over the last three years numbers of deficit schools in Waltham Forest have continued to decrease. At the end of 2011-12, six maintained schools had revenue deficit balances, compared to eight in 2010-11 and thirteen in 2009-10.

**Table 2: Maintained deficit schools and their movement in reserves between 2010-11 and 2011-12**

SCHOOL NAME	Revenue Balance 2010/11	Revenue Balance 2011/12	Change in balances between 2010/11 and 2011/12
Acacia Nursery School	39,406	(10,825)	(50,232)
Frederick Bremer Secondary School	(278,380)	(22,525)	255,855
Heathcote Secondary School	72,686	(44,861)	(117,547)
Holy Family Catholic College	(316,222)	(169,451)	146,771
Norlington Secondary School for Boys	(587,147)	(407,458)	179,689
Joseph Clarke Special School	(121,599)	(122,443)	(843)

### **Schools with Excessive Reserves**

School balances are deemed excessive when they exceed the threshold agreed by schools forum. Currently they are set at 5% (Primary Schools), 4% (All though) and 3% (Secondary Schools) of total delegated funds.

In 2011-12, 45 schools out of 71 have recorded reserves over and above these thresholds totalling to £6.2 million (Appendix D). This is 53% of the Total revenue reserves of these schools. There are 14 schools with balances greater than £300,000. Out of which 7 are secondary schools.

### **Conclusion**

There may be valid reasons for holding reserves over and above the threshold. A further report will be brought to Schools Forum in November 2012, with explanations from individual schools on their reasons for holding balances above the recommended thresholds.

#### **Actions by the Schools Forum**

- 1. To note and comment on the revenue and capital balances held by schools**