

## MUNICIPAL YEAR 2016/2017 REPORT NO. 8

### MEETING TITLE AND DATE:

Schools Forum – 13 October 2016

### REPORT OF:

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	<b>Item: 4b</b>
<b>Subject:</b> <b>School Balances 2015-16 and Individual Schools Budget 2016 -17: Update</b>	

## 1. EXECUTIVE SUMMARY

1.1. This report provides information on:

- balances reported by maintained schools as at 31 March 2016;
- update on individual schools budgets

## 2. RECOMMENDATIONS

2.1 The Forum is asked to note and comment on the contents of this report

## 3 SUMMARY OF SCHOOL BALANCES 2015/16

3.1 School revenue balances, including community focussed activities, at 31 March 2016 totalled **£9.931m** compared to balances brought forward on 1 April 2015 which totalled £11.281m. Details by sector are set out in

**Table 1: Sector Balances:**

Sector	Balances at 31/03/2015 £'000s	% of Budget 2014/15 %	Balances at 31/03/2016 £'000s	% of Budget 2015/16 %	Net Movement in Year £000's
Primary	8,746	5.5	10,198	5.7	1,452
Secondary	892	1.4	(1,807)	-1.9	-2,699
Special (inc ESTC)	1,643	8.5	1,540	8.4	-103
<b>Total</b>	<b>11,281</b>	<b>4.2</b>	<b>9,931</b>	<b>3.4</b>	<b>-1,350</b>

3.2 The overall sector percentage and the range of balances are detailed in **Table 2:**

**Table 2: Range of School Balances**

Sector	Sector Average	Range of balances
Primary	5.41%	-0.6 to 16%
Secondary	-4.02%	-20.3 to 4.9%
Special	7.48%	1 to 19 %

Details the balances on a school-by-school basis can be found in the appendix A.

## 4. ANALYSIS OF BALANCES

4.1 **Table 3** provides details of the balances from 20011/12 to 2015/16 for the three sectors, with balances for:

- Primary schools increasing;

- Special schools the balances have only reduced slightly because a school has been raising funds towards a new build. If this school's balance was discounted, then the average percentage of balances held by special schools is considerably lower.
- Secondary schools' balances have reduced significantly with five schools ending the year with deficits in excess of £1m. Two of the five schools started 2015/16 in deficit and another had projected a deficit for 2015/16 towards the end of 2013/14. The Authority has been working closely with these schools to support them to consider and develop a deficit recovery plan. The recovery for these schools is projecting over a long period. The Authority is considering other options with these schools to speed recovery.

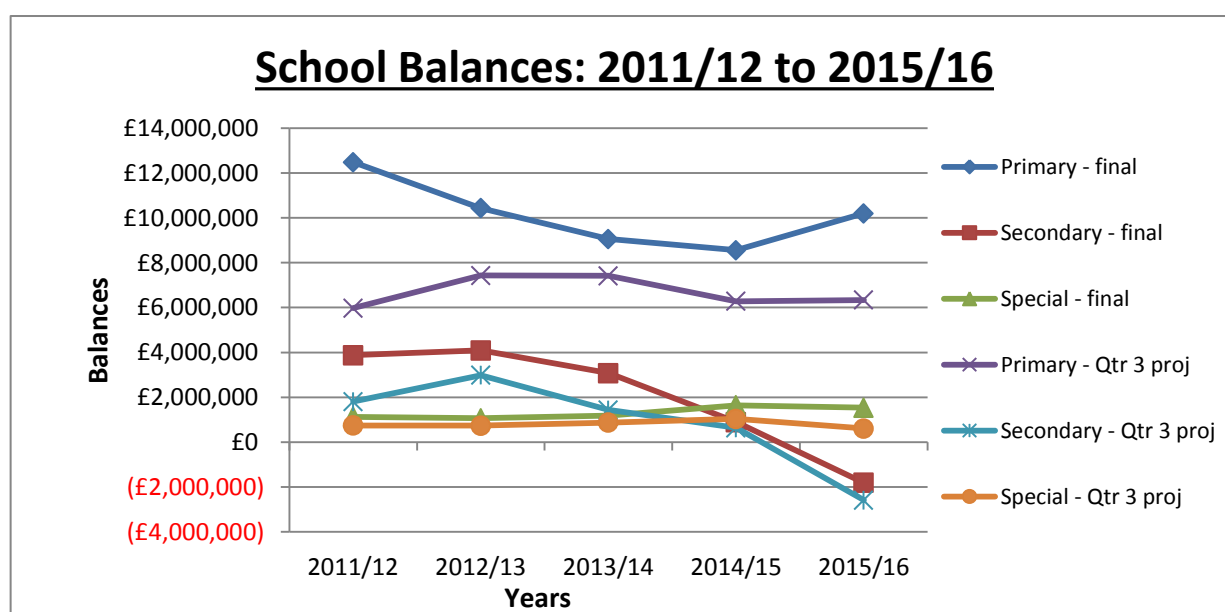
**Table 3: Comparison of School Balances between 2010/11 and 2014/15**

Sector	2011/12		2012/13		2013/14		2014/15		2015/16	
	£'000s	%	£'000s	%	£'000s	%	£'000s	%	£'000s	%
Primary	12,673	9.2	10,604	7.5	9,139	6.1	8,746	5.5	10,198	5.7
Secondary	3,877	4.2	4,094	4.4	2,858	3.2	892	1.0	(1,807)	-1.9
Special	1,129	8.8	1,068	8.1	1,402	8.6	1,643	9.7	1,540	8.4
<b>Total</b>	<b>17,678</b>	<b>7.3</b>	<b>15,766</b>	<b>6.4</b>	<b>13,399</b>	<b>5.1</b>	<b>11,281</b>	<b>4.2</b>	<b>9,931</b>	<b>3.4</b>

4.2 **Figure 1** below demonstrates that there continues to be a variance between the balances projected at quarter 3 and actual balances at the end of the year. While the amount of projected and actual balances has reduced the percentage variance still remains at the same level as previous years.

The Authority sought information from schools that had a significant variance between the balances projected at quarter 3 and actual balances at the end of the year. Information from schools is awaited.

**Figure 1: Comparison of projected and actual balances**



- 4.3 An analysis was carried out as to whether there were any particular factors or reason, which affected the level of balances retained by schools. The outcome of the assessment was that there were particular types of primary schools with large balance and these included:
- Schools either with over 650 pupils, Federated / Amalgamated or a teaching school: a number of these schools have balances over the 8% threshold for retaining balances;
  - Voluntary Aided Schools carrying out large building projects. These schools are required to meet 10% of the cost of any capital funded project. The schools typically meet some or all the contribution from revenue.
  - Primary Schools: along the A10 and on the southwest borders of the borough were found to typically have balances below 4%.

Due to the small sample, it is difficult to highlight anything in particular for secondary and special schools.

## 5. RECYCLING OF SCHOOL BALANCES

- 5.1 Since the implementation of the threshold for reporting on balances above 8% for Primary & Special and 5% for Secondary schools, there has been a trend for high balances held by schools to be reducing and, in 2014/15 the reduction was from 81% to 16%. For 2015/16, there has been an increase in the number of primary schools with balances above 8% from 9 to 16 schools. The reason for this increase has been highlighted in paragraph 4 above. **Table 4** summarises the numbers and percentage of schools above the threshold.

**Table 4: Schools with Balances above the Upper Threshold:**

Sector	No of schools	% of schools in sector
Primary	16	29%
Secondary	0	-
Special	3	43%
<b>Total</b>	<b>19</b>	<b>34%</b>

In line with the Scheme, the Local Authority monitors and challenges schools with large balances. It is in this context the Authority has written to seek information from those schools that had not reported as part of the Quarter 3 return that they would be carrying forward funds above the threshold of 8 and 5%. Information is awaited from four schools. Once information has been received from these schools, it will be assessed and the outcome reported.

## 6 Schools Budgets

- 6.1 At the last meeting of the Forum, members raised a concern about the cost pressures facing Enfield schools. The cost pressures have resulted due to the Dedicated Schools Grant (DSG) being provided on a flat-cash basis since 2011/12 and schools being required to absorb the pressures from existing resources. The Forum asked for information to be provided on the impact these pressures were having on individual schools budgets for the current and future years.
- 6.2 Working Budgets – 2016/17

The Authority was contacted by a few schools to report that they were having difficulties in setting a balanced budget for three years and sought advice. The schools were provided with the guidance given to schools in financial difficulties. Working budgets were received from all schools by the deadline. Table 5 below details the number of schools reporting that they would not able to set a balanced budget over the three year period.

**Table 5: Number of Schools with actual or projected deficit**

Sector	Number of Schools with Actual or Projected Deficit				
	Projected 31-Mar-16	Actual 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19
Primary	1	1	1	3	8
Secondary	4	5	5	6	7
Special	1	-	1	3	3
<b>Total</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>12</b>	<b>18</b>

Information is being gathered from other London local authorities as to whether they are seeing a similar increase in the number of schools either in deficit or projecting a deficit by the end of 2016/17. Table 6 details the information gathered to date:

**Table 6: Details of Schools in Deficits**

Local Authority	No. Of Schools	Schools Forecasting Deficit 2016/17	No. Of Forecasted Deficits In Range		
			£0-£499k	£500k-£999k	£1m+
<b>Primary</b>					
Bracknell Forest	35	3	3	-	-
Bromley	11	1	1	-	-
Croydon	60	3	3	-	-
Enfield	61	1	1	-	-
Greenwich	60	1	1	-	-
Hackney	52	5	5	-	-
Havering	50	8	8	-	-
Hillingdon	51	1	1	-	-
Kingston	31	1	1	-	-
Lambeth	59	4	-	-	-
Lewisham	63	1	1	-	-
Richmond	40	1	1	-	-
Ealing		3	3	Likely To Be More	
Islington		1	In deficit, amount unknown		
<b>Secondary</b>					
Bracknell Forest	4	1	1	-	-
Bromley	1	-	1	-	-
Croydon	6	2	2	-	1
Enfield	11	5	2	-	3
Greenwich	5	3	1	1	1
Hackney	7	-	5	-	-
Havering	4	3	3	-	-
Hillingdon	2	1	-	1	-
Kingston	1	1	-	-	1
Lambeth	8	-	-	-	-
Lewisham	11	8	5	1	2
Richmond	2	-	-	-	-
<b>Special</b>					
Enfield	6	1	1	-	-
Islington		1	In deficit, amount unknown		
Lambeth	5	1	1	-	-

The Chief Executive and Council's Management Board agreed to formalise the process for supporting schools in financial difficulties. Officers have been working with the schools currently in deficit or projecting a deficit as at 31 March 2017. Officers have either written or are meeting with those schools that have indicated they will be in a deficit from 31 March 2018.

### 6.3 Budgets: Known Impact for 2016/17 and 2017/18

It is now known that mainstream delegated funding, pupil premium rates and sixth form budgets continue to be provided on a flat cash basis for 2016/17 and now also for 2017/18.

Early Years funding will be provided on a flat basis for 2016/17. For 2017/18, the Government has recently published a consultation document with proposals to change the funding arrangements and introduce a national funding formula. As part of these proposals, the Government has indicated that additional resources would be provided to support implementation. The financial illustrations provided by the Government indicate that Enfield will receive an increase in funding.

### 6.4 Financial Forecast

This next section uses pupil data and benchmarking information from 2014/15 to project income and expenditure for hypothetical primary, secondary and special schools to understand the effect of the cost pressures on school expenditure.

#### (a) Pupil Numbers

Table 7 below details the pupil numbers used for funding purposes from 2013/14 to 2016/17.

**Table 7: Pupil Numbers from 2013/14 to 2016/17**

Sector	Pupil Numbers			
	2013/14	2014/15	2015/16	2016/17
Primary	29,523	30,113	31,142	31,862
Secondary	18,639	18,012	17,844	17,896
Special	529	538	587	591
<b>Total</b>	<b>48,691</b>	<b>48,663</b>	<b>49,573</b>	<b>50,349</b>

The current pupil projections are indicating that:

- Primary: there is a requirement to deliver eleven additional forms of entry from September 2016 to September 2019.
- Secondary: there are surplus school places until 2018 and then if the current provision does change then there will be a capacity gap, which will need to be bridged;

The need for additional places assumes that the additional forms of entry will be in line with the Authority's basic needs analysis and it cannot factor in the effect of new free schools opening in areas where school places are not required

Special: given the ad-hoc nature of pupil requiring admission to placement with high needs, it is difficult to project demand. The pressure for special schools places is the subject of another agenda item.

**(b) Pupil Premium & Free School Meal Eligibility**

As has been previously reported, there has been a significant reduction in the number of pupils eligible for free school meals. The reduction appears to be due to the effects of the Welfare Benefit Reforms. At the same time, the Income Deprivation Affecting Children Index (IDACI) updated in 2015 has reduced the percentage of children and young people reported to be from disadvantaged backgrounds.

The Pupil Premium, introduced in 2011, aimed to support pupils from deprived background and a rate of £430 was applied for each pupil eligible for free school meals and by 2014/15 the per-pupil rate had increased to £1,300 for primary aged and £935 for secondary aged. Since 2014/15, the per-pupil rate has not changed, but the funding provided to schools has reduced due to a decrease in the number of pupils eligible for free school meals. Table 8 below provides a summary of the change in number of pupils attracting the pupil premium and the total funding allocated to schools.

**Table 8: Number of Schools with actual or projected deficit**

Years	Pupil Premium: Rate Per Pupil	Number of Pupils Attracting Pupil Premium (Ever 6)	Variance (from previous year)	Pupil Premium: Total Allocated to Enfield £000s	Variance (from previous year)
2011/12	£488 (in yr £430)	11,024	-	£5,417	-
2012/13	£600	14,963	136%	£9,378	173%
2013/14	Primary - £953 Secondary - £900 LAC - £900	15,723	105%	£14,807	158%
2014/15	Primary - £1,300 Secondary - £935 LAC - £1,900	15,425	98%	£18,870	127%
2015/16	Primary - £1,300 Secondary - £935 LAC - £1,900	15,009	97%	£18,313	97%
2016/17	Primary - £1,300 Secondary - £935 LAC - £1,900	13,983	93%	£17,126	94%

The pattern of decline seen in the number of pupils attracting Pupil Premium funding is very similar to that experienced for funding provided through the DSG to support pupils' eligible for free school meals. In 2011, it was reported that 28.9% pupils were eligible against the free school meals factor and this is now just under 19%.

A recent report published by the Education Policy Institute analysed the trends in the disadvantage gap and the funding provided to support pupils from deprived background. A recommendation from the report was any funding through the deprivation factor in the national funding formula should be at least at the national average of 7%. In 2015/16, 8.22% of funding was allocated using the deprivation factor; this does not include the pupil premium. With further reduction in pupils eligible for free school meals and no change to the funding rate, the overall funding provided to support deprivation in 2016/17 reduced to 6.1%.

Similarly, when the overall funding provided through the Pupil Premium is compared to the total funding delegated to schools, this has reduced from 7.4% in 2015/16 to 7% in 2016/17.

It is difficult to say, at this stage, what the Government's policy will be for informing deprivation funding for the national funding formula or whether the decline in pupils eligible for free school meals has reached a point where it will not be further effected by the Welfare Benefit Reforms.

**(c) Income and Expenditure**

**Income:** As mentioned above, funding is being provided on flat cash basis for this and next year. Using the expenditure pattern for the last three years and pupil information, income projections at outturn have been carried out for the next two years.

**Expenditure:** Similar to the income projections, the pattern of spend and also the known cost their budgets including any cost pressures. Table 9 below provides a summary of know costs pressures that schools have had to absorb.

**Table 9: Known Cost Pressures**

Pressures	2013/14	2014-15	2015-16	2016-17	2017-18
<b>Teachers Pay Award</b>	1%	1%	1%	1%	1%
<b>Support Staff Pay Award</b>	1%	-	1%	1%	1%
<b>Teachers National Contribution</b>	-	-	-	3.4%	-
<b>Support Staff National contribution</b>	-	-	-	-	-
<b>Teachers' Pension Contributions</b>	-	-	2.3%	-	-
<b>Support Staff Pension contribution</b>	-	0.5%	0.5%	0.5%	0.5%
<b>Loss of Sixth Form Transitional funding</b>					
<b>Rates</b>	Whilst cost neutral for schools, there will impact on DSG				
<b>Other costs</b>					

Using the benchmarking information available to the Authority and other known information available, an assessment of the impact the known pressures will have on income and expenditure. The projections indicate for:

- Primary sector, if pupil numbers continue to rise at the same level with no other changes, as a sector should maintain expenditure within the resources available for the next couple of years. This is not at an individual school level, where variations between schools will be experienced.
- Secondary sector with falling pupil numbers in both pre and post 16 provision (please see appendix B for further information) and increasing number of schools in deficit, there is a significant gap between income and expenditure. In 2015/16, the actual gap between total resources and expenditure was just below £1m and if the same pattern of spend continues and no contextual changes, then the gap will widen over the next two years, especially when the lagged funding for those schools that have seen a drop in 6<sup>th</sup> form pupil numbers takes effect next year. This is not at an individual school level, where variations between schools will be experienced.

The indication from the Government consultation on the national funding formula is that there will be no additional funding for implementation. The analysis from London Council

has shown Enfield is likely to see a reduction in the funding provided to schools. This change has not been factored into the above analysis, as it is unclear how the transitional arrangements will operate.

(d) Strategies for Supporting all Schools

The DfE in their consultation document stated that they were seeking efficiencies from schools and this was also highlighted in the White Paper published earlier this year.

From the information received to date, it is assumed that the new Prime Minister and Cabinet are likely to continue with some of the policies introduced by the previous Prime Minister, such as the National Funding Formula, removal of the Education Services Grant.

Update and Proposals

(i) National

There is no financial support but, the Government has established a number of tools to support schools in making efficiency and achieve value for money. These include:

- the procurement centre: Provides guidance for schools to purchase goods & services
- School Efficiency Metric tool: Assist schools to understand whether they could improve their efficiency relative to other schools
- Schools Financial Health Check: Providing information, guidance and data to support sound financial management.

(ii) School Business Management Forum

At the last meeting of the School Business Management Forum, the SBM Forum was asked to consider how the meetings could explore opportunities for collaboration and partnership working, as well as share best practice to enable financial efficiencies to be gained. It was agreed, at each meeting of the SBM Forum, would discuss and share information regarding forthcoming contracts and review practices at individual schools for back office functions.

(iii) Headteachers' Conference

Under the current framework, it is responsibility of individual schools and their Governing Body to develop strategies to maintain expenditure within available resources.

The changes due to the national funding formula and the work with the schools currently in financial difficulties has highlighted the need to consider how schools can work together to collaborate in delivering the curriculum, sharing teaching resources, create opportunities for sharing, expanding use of buildings and reviewing 6<sup>th</sup> form provision.

(iv) Local Authority Support

The Authority is supporting individual schools in deficit or there are concerns. To support this work and also individual schools, it is suggested either through existing partnerships or forming a separate forum with the Local Authority to collate views/ responses from Headteacher and School Business Managers to develop a strategic plan to support schools to achieve savings, while continuing to maintain educational standards.

The Authority is exploring the use of Power B I to support a collaborative approach for procuring goods and services. The Authority could work across schools to analyse and advise on areas where there might be efficiencies to be gained from joint procurement or the use of existing contracts and Framework agreements.

## 7. CONCLUSION

7.1 The report has highlighted the position on school balances, schools in deficit and discussed the effect of cost pressures on the primary and secondary sector. It is clear that there is a change in the current economic climate for schools and, without additional resources, there is a need for schools to collaborate and work together to reduce costs by sharing resources and practice.

7.2 Comments are invited from the Schools Forum on the information and strategies included in paragraph 7 above.