

MUNICIPAL YEAR 2017/2018 REPORT NO. 4

MEETING TITLE AND DATE:

Schools Forum –

REPORT OF:

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Item: 5d

Subject:

School Balances 2016-17 and Individual Schools Budget 2017-18: Update

1. EXECUTIVE SUMMARY

1.1. This report provides information on:

- balances reported by maintained schools as at 31 March 2017;
- 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 2017/18

3.1 School revenue balances, including community focussed activities, at 31 March 2017 totalled **£5,535m** compared to balances brought forward in 1 April 2016 which totalled **£8,591m**. This excludes schools that converted to become academies during the year. 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	9,017	5.7	7,641	5.1	-1,376
Secondary	(1,967)	-1.9	(3,453)	-5.1	-1,486
Special (inc ESTC)	1,540	8.4	1,347	7.5	-193
Total	8,591	3.4	5,535	2.3	-3,055

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	5.1%	-0.19 to 14.3%
Secondary	-5.1%	-32.7 to 3.33%
Special	7.5%	-7.2 to 16 %

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:

- A total of 39 (68%) of schools have reported a reduction in their revenue balances with one school reporting a very small deficit at the year-end;
- A total of 18 (32%) of schools have seen a slight increase in their revenue balances. Of these schools, eight are 1 or 2 forms of entry.
- Special schools:
 - Out of the seven schools, six schools (86%) have reported a reduction in their revenue balances with one school reporting a deficit position at year-end.
- Secondary schools
 - A total of seven schools (70%) have reported a reduction in their revenue balances with five schools reporting a deficit position at year-end.
 - Of the five schools in deficits, for four of the schools, this will be their second year of reporting a deficit balance. The Authority has been meeting with these schools to support them in developing deficit recovery plan. All these schools will be required to have a recovery plan in place to support their three budget plan for 2017/18.

Table 3: Comparison of School Balances between 2012/13 and 2016/17

Sector	2012/13		2013/14		2014/15		2015/16		2016/17	
	£'000s	%	£'000s	%	£'000s	%	£'000s	%	£'000s	%
Primary	9,637	6.4	7,849	6.1	7,678	5.1	9,017	5.9	7,641	5.1
Secondary	2,801	4.1	1,580	2.3	226	0.3	-1,967	-2.8	(3,453)	-5.1
Special	1,068	5.9	1,402	8.6	1,643	9.1	1,540	8.4	1,347	7.5
Total	13,505	5.7	10,832	5.1	9,547	4.2	8,591	3.4	5,535	2.4

* These balances exclude schools that have converted to academies during the period covered.

4.2 Attached at appendix B are charts providing further information on balances retained by schools. Analysis for individual schools reporting increases or decreases in balances was inconclusive. The factors used for the funding formula found:

- no single factor accounted for the change in balances;
- the primary schools with no change or a slight increase in balances were those with little or no change in pupil numbers and the per pupil factors used for the formula;
- the changes for calculating IDACI supported schools with the reduction in the number of pupils eligible for free school meals;
- the removal of the 97% protection for top up funding for special schools may have been a contributing factor for the reduction in balances.

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, for 2016/17 16% of schools retained balances above the threshold. **Table 4** summarises the numbers and percentage of schools above the threshold.

Table 4: Schools with Balances above the Upper Threshold:

Sector	2015/16 No of schools	2016/17 No of schools	2016/17 % of schools
Primary	15	10	29%
Secondary	0	0	-
Special	3	2	18%
Total	18	12	16%

5.2 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 some of these schools and when received, it will be assessed and the outcome reported.

6 Other Local Authorities

- 6.1 Similar to last year, other local authorities are report that the number of schools in deficit is increasing. The make-up of schools in deficit may differ from Enfield, partly because of the primary and secondary pupil funding ratio; that is if the ratio is higher for secondary, then the probability of primary schools being deficit is greater and vice versa.
- 6.2 The DfE published their analysis of education and school spending for 2015/16 in December 2016. In this document, it was stated that “*Local authority gross spend on schools, education and children and young people’s services for 2015-16 is £41.0 billion, a reduction of £0.7 billion from 2014-15 (in nominal terms). Not adjusting for inflation, spending has fallen by 26% since 2010-11, while the number of local authority maintained schools fell by 22% over the same period.*”

The balances held by Enfield’s statistical neighbours, outer London Authorities and nationally was analysed and this indicated that:

- Total balances held by Enfield schools was below average;
- Number of schools and the total number in deficit were above average. This may partly be due to Enfield having one of the highest number of maintained schools;
- The larger deficits are within the secondary sector and Enfield having the highest number of maintained secondary schools compared to Outer London Authorities.

Further information is attached at appendix C.

- 6.3 When information for 2016/17 is published, this will be analysed and any changes reported to the Forum.

7 Schools Budgets

- 7.1 Last year, the Forum had raised a concern about the cost pressures facing Enfield schools 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 within existing resources. The Forum was provided with information on the impact of these pressures for individual schools.

The following section provides an update on the position for 2017/18.

7.2 Working Budgets – 2016/17

In line with the requirements in the Scheme for Financing, three year budget plans were received from all except three 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	Actual	Projected	Actual	In-year deficit	Projected	Projected	Projected
	31-03-16	31-03-16	31-03-17	31-03-17	31-03r-17	31-03-18	31-03-19	31-03-20
Primary	1	1	1	1	37	3 / (3)*	13 / (8)*	23
Secondary	4	5	5	5	7	5 / (6)*	5 / (7)*	5
Special	1	-	1	1	6	0 / (3)*	2 / (3)*	2
Total	6	6	7	7	50	8 / (12)*	20 / (18)*	30

* The figures in bracket are those provided last year.

- 8 Based on the information provided and the assessment of the in-year deficits, there is a need for close monitoring during the year. Where individual schools have experienced an in-year deficit, Governing Bodies will need to review and consider remedial action.

8 DfE Efficiency Tools

- 8.1 As previously reported, 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. This is reiterated in the second stage consultation document on proposals for the national funding formula. The guidance and tools include:
- the procurement centre: Provides guidance for schools to purchase goods & services
 - School Efficiency Metric tool: Assist schools to improve efficiency relative to other schools
 - Schools Financial Health Check: Providing information, guidance and data to support sound financial management.
- 8.2 The School Efficiency Metric tool enables individual schools to gauge their efficiency based on pupil attainment and the money the school receives for pupils

The tools measure the value added progress made by pupils in a school relative to the funding per pupil. The information provided for each school includes: % of pupils with SEND, % Ever6 FSM, Value added score and funding per pupil. The total efficiency of a school is indicated by the efficiency decile, from 1, being most efficient, to 10, being least efficient. Table 6 below details the number of schools in each efficiency decile.

Table 6: Number of Schools in Each of the Decile of Schools

Decile Score	No of Primary Schools	Decile %	No of Secondary Schools	Decile %
1	8	15%	2	20%
2	9	17%	2	20%
3	3	6%	1	10%
4	6	12%	2	20%
5	6	12%	2	20%
6	9	17%	-	-
7	3	6%	-	-
8	3	6%	1	10%
8	-	-	-	-
10	5	10%	-	-
Total	52	100%	10	100%

Information for Infant and Special school is not available on this tool. Further information on the tool can be found at: <https://www.gov.uk/guidance/schools-financial-efficiency-a-guide-to-getting-started>. Enfield's analysis has highlighted 21 (34%) schools identified by the tool as being in the bottom half of the decile scores: that is from 6 to 10.

- 8.3 The DfE has also developed guidance for governors when considering financial management. The guidance can be found at: <https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>. The guidance has been used to develop a local recovery plan template for schools in deficit to complete. The information that templates aims to provide and enable the Governing Body to consider is:
- Staff pay as a percentage of the budget
 - Average teacher & support staff pay and cost
 - Pupil teacher ratio & teacher contact ratio
 - Class sizes
 - Proportion of budget spent on the leadership team, staffing & non-pay expenditure
 - 3-10 year budget projections
 - Assumptions and risks associated with projections

The Schools in deficits are currently in the process of finalising the recovery document to support their working budget. The template will be used to support future monitoring meetings between the schools in deficit and the Local Authority.

8.4 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 2017/18.

Table 7: Pupil Numbers from 2013/14 to 2017/18

Sector	Pupil Numbers					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Primary	29,523	30,113	31,142	31,862	32,443	32,591
Secondary	18,639	18,012	17,844	17,896	18,307	19,093
Special	529	538	587	591	636*	636*
Total	48,691	48,663	49,573	50,349	51,386	52,320

* Does not include new places at West Lea and Durants / Minchenden

The current pupil projections are indicating that:

- Primary: The additions of new free schools means there is currently sufficient places.
- Secondary: there are surplus school places until 2018/19 and then if the current provision doesn't 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) Income: As mentioned above, funding is being provided on flat cash basis for this year. Due to the General Election and any changes in policy that may be introduced, income projections have not yet been carried out.
- (c) Cost pressures: Listed below are known cost pressures at the time of writing this report.

Table 8: Known Cost Pressures

Pressures	2013/14	2014-15	2015-16	2016-17	2017-18	2018/19	2019/20
Teachers Pay Award	1%	1%	1%	1%	1%		
Support Staff Pay Award	1%	-	1%	1%	1%		
Teachers National Contrib.	-	-	-	3.4%	-		
Support Staff National Contrib.	-	-	-	-	-		
Teachers' Pension Contrib.	-	-	2.3%	-	-		
Support Staff Pension Contrib.	-	0.5%	0.5%	0.5%	3%	0.5%	0.4%
Apprenticeship Levy	-	-	-	-	0.5%		
Rates	Whilst cost neutral for schools, there will impact on DSG						

9. CONCLUSION

9.1 Members are asked to note and comment on this report.