

MUNICIPAL YEAR 2019/2020 REPORT NO. 6

MEETING TITLE AND DATE:

Education Resources Group
Schools Forum: 10 July 2019

REPORT OF:

Director of People

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Item: 4b

Subject:

**School Balances 2018 – 19 &
Schools Budgets 2019 – 20: Update**

1. EXECUTIVE SUMMARY

This report:

- Confirms the total balances held by schools as at 31 March 2019 was £773k (excluding community facilities) and £794k (including community facilities) with the balances held by secondary schools reducing by £1.874m compared to £569k for primary schools;
- Includes information on schools retaining balances above the threshold of 8% (primary and special) and 5% (secondary);
- Seeks approval to no change in the provision in the Scheme for Financing for retaining balances;
- Provides a summary of the three-year Budget Returns received from schools;
- Provides information on deficits reported by other local authorities and the ESFA's Local Authority benchmarking analysis tool;
- Details the cost pressures.

2. RECOMMENDATIONS

2.1 The Schools Forum is asked to note and comment on this report.

3 SUMMARY OF SCHOOL BALANCES 2018/19

3.1 School revenue balances, including community focussed activities, at 31 March 2019 totalled **£773k (excluding community facilities)** and **£794k (including community facilities)**. An overall reduction of £1.246m when compared to balances of £2.040m (including community facilities) and £2.022m (excluding community facilities) brought forward on 1 April 2018. These year-end balances have been adjusted to exclude schools that converted during the year to become academies. Table 1 provides a breakdown across the three sectors.

Table 1: Sector Balances:

| Sector | Balances at 31/03/2018 £'000s | % of Budget 2017/18 % | Balances at 31/03/2019 £'000s | % of Budget 2017/18 % | Net Movement in Year £000's |
|--------------------|-------------------------------------|-----------------------------|-------------------------------------|-----------------------------|-----------------------------------|
| Primary | 6,303 | 4.6 | 5,874 | 5.0 | -569 |
| Secondary | (5,327) | -7.9 | (6,502) | -10.5 | -1,874 |
| Special (inc ESTC) | 1,472 | 8.2 | 1,421 | 6.9 | 48 |
| Total | 2,448 | 1.1 | 794 | 0.4 | -2,396 |

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 | 5.2% | - 4.9 to 13.6% |
| Secondary | -16.7% | -85.9 to 1.3% |
| Special | 6.6% | 5.2 to 8.3% |

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

4. ANALYSIS OF BALANCES

4.1 Analysis of the balances held by the three sectors indicates:

- Primary schools:
 - If the community facilities adjustment is excluded, then the overall change in balances from those brought forward at the beginning of the financial year is -£21k;
 - 20 (43%) of schools have reported a reduction in their revenue balances with two schools reporting a deficit at the year-end. Both these two schools have experienced a significant drop in pupil numbers. The Authority is working with these schools to agree a deficit recovery plan.
 - 26 (57%) of schools have seen an increase in their revenue balances with:
 - The change in balances from 2017/18 to 2018/19 ranging from 1% to 242%;
 - A higher proportion of smaller schools seeing some increases. A breakdown of the schools with increased balances is as follows:
 - 13 are 2 FE schools;
 - 5 are 3 FE schools
 - 4 are 1 FE schools;
 - 1 are 6 FE schools (this includes with a class size smaller than 1FE.
- Special schools:
 - Two special schools and the PRU have seen a reduction in balances;
 - Three special school have reported an increase in balances.
- Secondary schools
All secondary schools have reported a reduction in balances, of these;
 - Seven schools reported a deficit position at year-end;
 - Two schools that began the year in deficit reported a reduction in their year-end deficit.

Table 3 provides details of the balances held from 20014/15 to 2018/19

Table 3: Comparison of School Balances between 2014/15 and 2018/19

| Sector | 2014/15 | | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|--------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|------------|-------------|
| | £'000s | % | £'000s | % | £'000s | % | £'000s | % | £'000s | % |
| Primary | 7,229 | 5.3% | 8,353 | 6.2% | 6,872 | 5.1% | 6,303 | 4.6% | 5,874 | 5.0% |
| Secondary | 226 | 0.3% | (1,966) | -2.9% | (3,453) | -5.1% | (5,327) | -7.9% | (6,502) | -10.5% |
| Special | 1,556 | 8.7% | 1,529 | 8.5% | 1,424 | 7.5% | 1,472 | 8.2% | 1,421 | 6.9% |
| Total | 9,011 | 4.1% | 7,916 | 3.6% | 4,843 | 2.4% | 2,448 | 1.1% | 794 | 0.4% |

* These balances exclude schools that have converted to academies for all the years.

5. RECYCLING OF SCHOOL BALANCES

5.1 Since the implementation of the threshold for reporting on balances above 8% (Primary & Special) and 5% (Secondary) schools, there has been a trend for a reduction in the number of schools reporting high level of balances. For 2018/19, 11% of schools retained balances above the threshold, a decrease of 3% from the previous year. Table 4 summarises the numbers and percentage of schools above the threshold.

Table 4: Schools with Balances above the Upper Threshold:

| Sector | 2017/18 No of schools | 2018/19 No of schools | 2018/19 % of schools |
|---------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Primary | 8 | 6 | 13% |
| Secondary | 0 | 0 | - |
| Special | 2 | 1 | 17% |
| Total | 10 | 7 | 11% |

5.2 At the end of Quarter 3, four primary submitted requests to retain balances above threshold. The information provided was discussed with the Education Resources Group. The view was that:

- The school just below the threshold and the school with extensive works being carried out should not be considered at this stage;
- For the remaining two schools recycling should be considered.

Officers met with the two schools suggested by the Education Resources Group for recycling. It was agreed with both schools that an update showing their current position be provided. The remaining schools reporting balances above the threshold at year-end were asked to provide information to support the retention of balances above the threshold.

Information has been received from all, but one school. The school that hasn't provided information has been advised and acknowledged their balances above the threshold will be recycled. There are currently two schools where an initial decision was made to recycle balances and four other schools where the Authority has to form a view of whether to recycle any balances from these schools.

With the confirmation of the Education Resources Group and the Chair of the Schools Forum, a Schools Forum Panel be convened to hear the Authority's view on each of the requests for retaining balances and response from the individual schools. The Panel is due to meet on 10 July 2019. The Cabinet Member will then be advised and asked to confirm he supports the Schools Forum Panel decisions for each school. The Schools Forum will be provided with a verbal update at the meeting.

5.4 The Education Resources Group have previously raised their concerns at the level of balances held by some schools. The Group felt it was important that schools spent the resources provided in the year the pupils were at the school and not be accumulated unless there was a valid reason. If a school was retaining balances for a large project, then these balances should be capitalised and not retained in their revenue accounts. The Group were minded for the Scheme to be amended and the threshold for retaining surplus balances be reduced for primary from 8% (primary and special), so be aligned to the threshold for secondary schools of 5%. Due to the current national uncertainties around funding and also schools with high balances naturally reducing, it is recommended that the threshold for primary is not reduced. Therefore, no change is required to the Scheme.

The Forum are asked to comment and agree on this proposal.

6. SCHOOLS BUDGETS

6.1 In previous years, the Forum had raised a concern about the cost pressures facing Enfield schools the impact these pressures were having on individual school's budgets.

The following section provides an update on the position for 2019/20.

6.2 Working Budgets – 2019/20

In line with the requirements in the Scheme for Financing, three-year budget plans have been received from schools. Table 6 & 7 below details the number of schools that are or have reported that they would not be able to set a balanced budget for the next three-year period.

Table 6: Number of Schools with actual or projected deficit

| Sector | Comparing Projected and Actual Deficits (2015/16 to 2017/18) | | | | | | | | | | | |
|--------------|--------------------------------------------------------------|------------------|----------|-----------------|---------------|------------------|-----------|-----------------|---------------|------------------|----------|-----------------|
| | 2016/17 | | | | 2017/18 | | | | 2018/19 | | | |
| | No of Schools | As at 31-03-2017 | | | No of Schools | As at 31-03-2018 | | | No of Schools | As at 31-03-2019 | | |
| | | Projected | Actual | In-year deficit | | Projected | Actual | In-year deficit | | Projected | Actual | In-year deficit |
| Primary | 57 | 1 | 1 | 37 | 52 | 3 | 3 | 47 | 40 | 6 | 2 | 47 |
| Secondary | 10 | 5 | 5 | 7 | 9 | 5 | 7 | 5 | 9 | 6 | 7 | 5 |
| Special | 7 | 1 | 1 | 6 | 6 | - | - | 4 | 6 | 1 | - | 4 |
| Total | 74 | 7 | 7 | 50 | 67 | 8 | 10 | 56 | 56 | 13 | 9 | 56 |

Table 7: Summary of Schools Projecting Deficits for 2018/19 to 2020/21

| Sector | No of Schools | Number of Schools Projecting Deficits in their 3 Year Budgets Submissions | | |
|--------------|---------------|---------------------------------------------------------------------------|--------------------|-----------|
| | | Y1 | Y2 | Y3 |
| | | 31-03-20 | 31-03-21 | 31-03-21 |
| Primary | 40 | 4 / (28) * | 27 / (37) * | 32 |
| Secondary | 9 | 7 / (7) * | 7 / (7) * | 7 |
| Special | 6 | - / (1) * | 1 / (3) * | 3 |
| Total | 56 | 11 / (36) * | 35 / (47) * | 47 |

* The figures in bracket are from returns submitted last year.

6.3 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.

7 NATIONAL BENCHMARKING

7.1 Other Local Authorities

Appendix B provides information on deficits reported by other local authorities are reported in 2017/18. 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.

7.2 DfE / EFSA: Local Authority Analysis

The Local Authority Analysis (LAA) tool developed by DfE / ESFA has been updated for 2017/18. This tool combines a range of publicly available data from 2017/18 (see appendix C) and uses 20 individual indicators to identify those schools in immediate financial difficulty and those potentially at future risk.

The ESFA's stated aim is for the LAA is to aid discussion between the DfE and local authorities, to support local authorities to identify areas of concern and implement further preventative measures that can be shared with the DfE.

The final output is based on a grading from A* to G with a school scoring A* being least vulnerable and G most vulnerable.

The date for 2017/18 has been assessed and also compared with the data from 2016/17. It should be noted that the data used is over a year old, so was useful to know the issues and schools highlighted by the tool were not too dissimilar to those already identified by the Authority. The Authority had been and is working in some capacity with most of the schools with an output of D through to G. The local analysis showed, in general, for schools with an output of:

- G: the key indicator for vulnerability is finance;
- D to F: the key vulnerability varies between finance, pupil & school and educational performance;

A summary of the number of schools in each of the bands is detailed below:

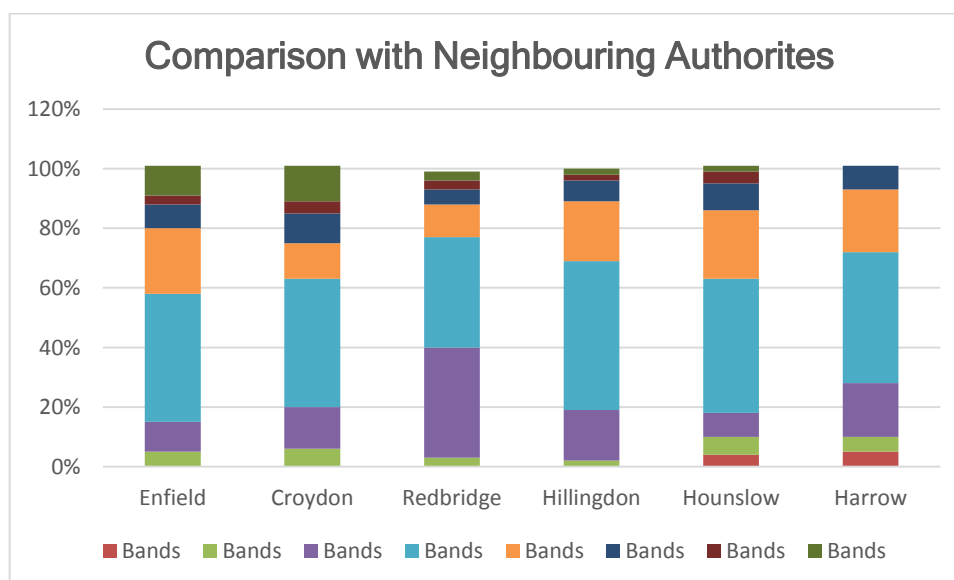
Table 8: Summary of Schools in Each Band

| Bands | Primary | | Secondary | | Special / PRU | |
|-------|---------|---------|-----------|---------|---------------|---------|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| A* | 2 | | | | | |
| A | 6 | 2 | 1 | | | |
| B | 10 | 4 | | | 4 | 2 |
| C | 18 | 21 | 1 | 2 | 2 | 4 |
| D | 11 | 12 | 3 | 2 | | |
| E | 5 | 4 | 2 | 1 | | |
| F | 2 | 1 | | 1 | | |
| G | | 3 | 3 | 3 | | |

The tool also includes comparison of Enfield schools with neighbouring LAs closest to Enfield's context and this comparison is detailed in Table 9.

Table 9: Summary of Schools in Each Band

| LAs | Bands | | | | | | | | School Type | | | | |
|-----------------|-------|----|-----|-----|-----|-----|----|-----|-------------|-----------|---------------------|---------|---------|
| | A* | A | B | C | D | E | F | G | Primary | Secondary | Pupil Referral Unit | Special | Nursery |
| Enfield 2017/18 | 0% | 5% | 10% | 43% | 22% | 8% | 3% | 10% | 48 | 9 | 1 | 5 | 0 |
| Enfield 2016/17 | 4% | 8% | 19% | 29% | 19% | 10% | 4% | 6% | 48 | 9 | 1 | 5 | 0 |
| Croydon 2017/18 | 0% | 6% | 14% | 43% | 12% | 10% | 4% | 12% | 38 | 33 | 6 | 1 | 6 |
| Croydon 2016/17 | 2% | 4% | 21% | 42% | 12% | 7% | 4% | 9% | 38 | 6 | 1 | 6 | 6 |
| Hillingdon | 0% | 2% | 17% | 50% | 20% | 7% | 2% | 2% | 49 | 49 | 2 | 0 | 2 |
| Hounslow | 4% | 6% | 8% | 45% | 23% | 9% | 4% | 2% | 188 | 46 | 2 | 1 | 4 |
| Redbridge | 0% | 3% | 37% | 37% | 11% | 5% | 3% | 3% | 30 | 46 | 11 | 2 | 3 |
| Harrow | 5% | 5% | 18% | 44% | 21% | 8% | 0% | 0% | 53 | 48 | 9 | 1 | 5 |



, it is unclear how the DfE / ESFA will engage with Local Authorities and what is expected in terms of sharing information. The Forum will be advised as further information becomes available.

8 Financial Forecast

The DfE have advised that the Spending Review has been delayed and there is no information on when it will be done.

In the meantime, schools will be facing significant cost pressures from impending pay awards and pension contribution reviews for teachers. Table 10 summaries the cost pressures schools have had to absorb since the school funding reforms were introduced in 2013/14 and will face this and next year.

Table 10: Known Cost Pressures

| Pressures | 2013/14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018/19 | 2019/20 | 2020/21 |
|---------------------------------|-----------------------------------------------------------|---------|---------|---------|---------|-------------------------|---------|--------------------|
| Teachers Pay Award | 1% | 1% | 1% | 1% | 1% | ?2-3% s/be funded | ?2% | |
| Support Staff Pay Award | 1% | - | 1% | 1% | 2-5% | 2-5% | ? | |
| Teachers National Contrib. | - | - | - | 3.4% | - | | | |
| Support Staff National Contrib. | - | - | - | - | - | | | Review pending? |
| Teachers' Pension Contrib. | - | - | 2.3% | - | - | 3% - s/be funded | | |
| 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 consider the recommendations included in this report.