

MEETING:	SCHOOLS FORUM
DATE:	29TH SEPTEMBER 2009
TITLE OF REPORT:	SCHOOL BALANCES MARCH 2009
FINANCIAL SERVICES	MALCOLM GREEN

CLASSIFICATION: Open

Wards Affected

County-wide – All Schools

Purpose

To report on School balances at the end of the financial year 2008/2009.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT School Forum is asked to:

- a note the decrease in school revenue balances of 0.4%;**
- b and in particular note the reduction in primary balances by £246,000 from 2007/08**
- c the Budget Working group be asked to consider a further report on schools capital balances and spending plans**

Key Points Summary

- Herefordshire schools revenue balances have reduced from 12% of budget in 2004/05 to 6.5% in 2009/10.
- Capital balances have risen in primary schools by over £0.75m an increase of almost 50% since March 2008.

Alternative Options

- 1 There are no alternative options for consideration.

Further information on the subject of this report is available from
Malcolm Green, Schools Finance Manager on (01432) 260818

Reasons for Recommendations

- 2 School Revenue Balances have been reducing since 2004/05 and plans are in hand to for 2009/10 and 2010/11. School Capital Balances have been rising and have not been subject to the same scrutiny either nationally or locally.

Introduction and Background

- 3 The Department for Children, Schools and Families continues to be concerned at the high level of school balances held nationally. School balances nationally were £1.86 billion at the end of March 2008 compared to £680 million in 1999/2000. Nationally school balances rose by £241 million in 2007/08 equivalent to an increase of 14%. Locally both the Council and Schools Forum have been concerned about the increasing levels of balances within Herefordshire schools in recent years. The introduction of the balance clawback scheme in 2006/07 has had a significant impact in reducing the level of schools revenue balances. Further changes to tighten the clawback scheme are to be introduced for 2009/10 and additional amendments for 2010/11 are to be considered by Forum's budget working group.

Key Considerations

- 4 Herefordshire has been successful in reducing the level of balances from a high point of 12% in 2004/05. However Herefordshire is still above the average of our statistical neighbours and the all-England average. Information from the Audit Commission's school balances tool is set out in the table below. It is intended that the changes to the clawback scheme will further reduce Herefordshire balances so that we become closer to the All England Average. Given the number of smaller schools and the inclusion of the £30,000 balance allowance for smaller schools, rather than 5%, then Herefordshire will probably always be slightly higher in percentage terms than our statistical neighbours.

Year	Percentage of Individual Schools Budget (%)	Statistical Neighbours average (%)	All England Average (%)
2002/03	7.0	6.8	6.1
2003/04	9.6	6.8	6.4
2004/05	12.0	6.3	6.9
2005/06	11.4	6.1	6.6
2006/07	6.1	4.0	4.4
2007/08	6.5	4.6	5.3
2008/09	6.5	n/a	n/a

- 5 School balances at the end of the financial year 2008/2009 have now been calculated and are

compared to the balances at the end of 2007/2008 in the following table.

Revenue	Balances as at March 09 £	Balances as at March 08 £	Difference £	Difference %
Primary	2,936,242	3,182,380	-246,138	-0.8
High	1,991,718	2,031,016	-39,298	-0.2
Specials	64,492	20,683	+43,809	+211.8
Pupil Referral Units	93,940	46,413	+47,527	+102.4
Total Revenue	5,086,392	5,280,492	-194,100	-0.4

Extended Schools	Balances as at March 09 £	Balances as at March 08 £	Difference £	Difference %
Primary	104,259	79,227	+25,032	+31.6
High	294,289	302,016	-7,727	-2.6
Special	(8,646)	(4,498)	-4,148	-92.2
Total Ext Schools	389,902	376,745	+13,157	+3.5
Total Revenue + Ext Schools	5,476,294	5,657,237	-180,943	-0.3

Capital	Balances as at March 09 £	Balances as at March 08 £	Difference £	Difference %
Primary	2,460,413	1,677,994	+782,419	+46.6
High	458,498	1,037,018	-578,520	-55.8
Specials	341,356	195,587	+145,769	+74.5
Pupil Referral Units	95,862	95,164	+698	0
Total Capital	3,356,129	3,005,763	+350,366	+11.7

GRAND TOTAL	8,832,423	8,663,000	+169,423	+1.95
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March 2008. Schools' revenue balances are now 6.5% of the Individual School Budget, overall slightly higher than the 5% level recommended by DCSF and Ofsted. Primary balances are 7.9% of primary budgets and high school balances are 5.5%. There has been no claw-back of revenue balances from any school in 2008/09 however the clawback scheme has been tightened for 2009/10 and will potentially tighten further in 2010/11.

- 7 Capital balances have increased to £3.36m, an increase of £350,000 equivalent to 11.7%. Capital balances have risen in primary schools by over £0.75m an increase of almost 50% whilst high school capital balances have reduced by almost £600k, a reduction of 55%. This supports the analysis that primary schools are "capital rich and revenue poor" as a result of recent changes to government grants from revenue to capital i.e. the transfer of ICT from standards fund revenue grants to capital grants such as Harnessing Technology and Devolved Formula Capital.
- 8 Schools are now required to complete capital budget plans and return to the Council alongside their revenue budget plans. These capital plans will be analysed to ensure that schools have appropriate plans in place for their capital balances.

Community Impact

- 9 None.

Financial Implications

- 10 No financial implications.

Legal Implications

- 11 It is confirmed that these proposals are consistent with the Council's legal duties

Risk Management

- 12 There is a significant risk that if school balances do not reduce nationally then the Department for Children, Schools and Families will introduce a statutory national balance clawback scheme in order to ensure school balances are reduced. Herefordshire Council has been successful in reducing school balances in county schools since 2005/05 and has further proposals in hand for 2009/10 and 2010/11.

Consultees

- 13 None.

Appendices

- 14 None.

Background Papers

Audit Commission School Balances Tool June 2005 & March 2008.

Schools Forum 2nd June 2008 –Report on School Balances March 2008