

Committee:	Scrutiny Committee for Children's Services
Date:	21 September 2009
Title of Report:	Schools' surpluses and deficits
By:	Director of Children's Services
Purpose of Report:	To inform the Committee of the position on school balances as at 31 March 2009 and action taken in addressing excessive surpluses.

RECOMMENDATION: The Committee is recommended to note the position as set out in the report.

1. Financial Appraisal

1.1 £36,000 has been clawed back as excessive surpluses from schools 2008/09 balances and recycled within the overall Schools Budget after consultation with the Schools Forum. £219,000 was clawed back in respect of the previous year.

2. Supporting Information

Overall position

2.1 The position on school balances as at 31 March 2009 is summarised in Appendix A with a comparison against the previous year. Net balances are £10.57m, equivalent to 4.6% of schools' budget shares. This is a decrease of £0.22m over 2007/08 and reverses the increase experienced the previous year. There are three fewer schools in deficit compared to 31 March 2008 but the overall deficit has increased by £0.23m. The average surplus has reduced from £81,261 to £76,840.

Schools in deficit

2.2 All schools with a deficit of more than 1% of their budget share are required to seek CSA approval to a licensed deficit. This involves developing a plan to recover the deficit over a reasonable period. Schools agree the recovery plans with, and continue to receive the support of the School Improvement Service, the CSD Finance Team and Personnel.

2.3 The licensed deficit system is important in allowing schools to address substantial changes in circumstances (e.g. falling pupil numbers) by making the necessary adjustments over a period longer than one year to protect the delivery of the curriculum.

Schools in surplus

2.4 The Authority's Scheme for Financing Schools allows the clawback of surplus balances in excess of set thresholds. The thresholds are currently 5% of a school's budget share for secondary schools and 8% for primary and special schools. The thresholds only apply after specified items are deducted from the surplus including commitments for goods and services ordered but not received by 31 March, unspent specific grants (e.g. Standards Fund) and planned major projects which must be supported by documentary evidence.

2.5 2008/09 is the third year of operating the clawback mechanism. On an unadjusted basis, 38 schools exceeded the thresholds at 31 March 2009 by a total of some £4.8m. Schools were

able to offset the vast majority of this against the allowed exceptions but not all claims were accepted. The total of allowed exceptions includes use of funding within the clawback thresholds and the main exceptions claimed were as follows:

	£'000
Commitments (goods and services ordered)	264
Specific grants (Standards Fund grants can be spent over 17 months)	1,600
Building projects (supported by governing body minutes)	2,148
Funds provided by external bodies	1,291

2.6 Schools that exceeded the thresholds after deducting exceptions were notified of their potential clawbacks and given the opportunity to provide further clarification and evidence. The final outcome was that a total of £36,000 has been clawed back from four schools (three primaries and one special school). After consultation with the Schools Forum the funding has been redistributed across all schools in 2009/10 through the distribution of headroom money.

2.7 The Schools Forum approved changes to strengthen the claw back mechanism on 25 March 2009. The changes will take effect in the 2009/2010 financial year.

Effectiveness of process and support to schools in deficit

2.8 The Children's Services Department's Positive Response Policy sets out detailed standard operating procedures in relation to schools requiring additional support. This is to ensure information is shared across the department and early supportive cross-team action is taken. When a school is identified with a potential substantial budget deficit, discussions are held with the headteacher to confirm the situation. If the deficit is confirmed the Finance Teams works with the head teacher and governors on actions needed to balance the budget. This work is supported by advice from Personnel and the School Improvement Service on personnel and curriculum implications of proposed actions.

2.9 The overall reduction in the number of deficits during 2008/09 is encouraging but East Sussex has a larger proportion of schools in deficit than the national county average or our statistical neighbours. The Forum was not in favour of providing more financial resources to these schools but suggested they would benefit from more financial advice and support to assist with their financial planning. The Forum agreed to the allocation of £25,000 out of the Schools Budget headroom in 2008/2009 to fund an additional post in the Finance Team to provide this extra support as a one off pilot. An appointment was made in November 2008 and schools have reported that they have found the additional support very helpful.

Comparisons with other education authorities

2.10 A comparison with the latest available published information is attached as Appendix B.

3. Recommendation

3.1 The Committee is recommended to note the position on schools balances.

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Local Members: All

Background Documents: None

Summary of school balances as at 31 March 2007 and 2008

	As at 31 March 2008			As at 31 March 2009			Change	
	No.	£m	% of budget share	No.	£m	% of budget share	No.	£m
Surpluses	154	12.51	7.16	157	12.06	6.46	3	(0.45)
Deficits	40	(1.72)	(3.47)	37	(1.49)	(3.55)	(3)	0.23
Net balances	194	10.79	4.81	194	10.57	4.61	-	(0.22)

National comparative data is produced by the Audit Commission but is only available for the previous financial year, up to 31 March 2008. The following table sets out high level comparisons with our statistical neighbours, English counties and the national average.

As at 31 March 2008	East Sussex	Statistical neighbours	English Counties	National average
Overall balances as % of budget	4.81%	6.06%	6.87%	7.05%
Average net balance	£55,632	£70,503	£65,718	£97,590
% of schools in surplus	79.38%	94.12%	92.40%	92.18%
Average surplus	£81,261	£79,426	£76,365	£111,834
% of schools in deficit	20.62%	5.88%	7.60%	7.82%
Average deficit	£43,041	£72,364	£61,827	£76,949

Average surpluses in East Sussex remain just above those of our statistical neighbours. Although East Sussex has more deficits than any of our statistical neighbours, the average deficit was 40% smaller and the total deficit was lower than three of the 10 authorities in 2007-2008.