

## REPORT OF THE CHIEF EXECUTIVE OF EDUCATION LEEDS

### REPORT TO SCRUTINY BOARD (Children's Services)

**DATE:** 22 April 2010

**SUBJECT:** Leeds School Balances

#### 1.0 PURPOSE OF THE REPORT

This report is to inform members of the levels of school balances and the mechanisms in place to recover large surplus balances.

#### 2.0 BACKGROUND

- 2.1** The Individual Schools Budget is funded from the Dedicated Schools Grant (DSG). Year end balances roll forward subject to the control over surplus balances regulations.
- 2.2** School balances are made up of both funding from the individual schools budget, funding from grants including the school development grant, school standards grant, standards fund grants and any surplus or deficit on extended school activity.

#### 3.0 SUMMARY BALANCES

Summary Balances	2007-2008	2008-2009	Variance
School Budget			
Primary Schools	£10,423,780	£11,372,360	£948,520
Secondary Schools	£1,679,120	£1,992,290	£313,170
Special Schools	£281,710	£419,740	£138,030
Sub total	£12,384,610	£13,784,390	£1,399,780
Extended Services Accounts	£2,506,996	£3,875,104	£1,368,108
Total	£14,891,606	£17,659,494	£2,767,888

Overall school budget balances have increased to £13,784,390 which represents 3.43% of the 2009/10 individual schools budget. The average Primary School balance is 5.88%, Secondary school balance is 1.03% and SILC balance is 2.91%. 54 Primary Schools, 1 Special School and 3 Secondary Schools have balances over the 8% and 5% thresholds.

It should be noted that Leeds balances are low by comparison to national averages. National average balances at the end of 2008/09 were 5.8% (6.8% Primary Schools, 3.9% Secondary Schools and 7.2% Special Schools. Leeds balances were 115<sup>th</sup> highest out of 150 Local Authorities.

## 4.0 INDIVIDUAL SCHOOL BALANCES

Balances for individual schools are attached as APPENDIX A. This shows the balance brought forward, balance at the end of 2008/09 and change in balances.

The control on surplus balances only applies to school budget share balances, and does not include any balance on extended services run under the community facilities powers. The balances shown under extended services contain over £1m of Sports Development grant received in March but to fund activity in the summer term, and other large balances may also relate to funding held by the lead school on behalf of clusters.

Schools are listed in order of increasing balance under the control of surplus balances regulations, and where there is a potential surplus balance it is highlighted. The actual surplus balance at any individual school may include unspent grant allocations or a balance that is committed to a project.

## 5.0 CONTROL ON SCHOOL BUDGET SURPLUS BALANCES

The Leeds Scheme for Financing Schools allows the Local Authority to cap schools' balances at a defined percentage of the school budget share (5% for secondary, 8% primary and special) excluding sums earmarked for specific projects. Excess balances above this level would be deducted from the individual school's budget for redistribution.

The Scheme also sets out the process for consideration of requests from schools to carry forward surplus balances in excess of the prescribed limits. Schools can request exclusions from the surplus balance calculation against the following categories:

- Prior year commitments – where goods and services were received in the previous financial year but no payment was raised.
- Unspent Standards Fund balances – schools have until 31 August to spend their allocations
- Revenue contributions to specific projects – these are one-off projects, normally of a capital nature.
- Exceptional circumstances.

Schools are required to provide documentary evidence to support their requests.

These controls have been in place since 2004/05.

In January 2009, the Schools Forum agreed a revision to the scheme which gave schools the opportunity to obtain prior approval (i.e. before the end of the financial year) for the exclusion where balances were to be used to contribute towards the cost of major projects. This was put in place to speed up the approval process in situations where schools had retained balances to fund planned or ongoing building programs, often related to equipping new PFI or BSF projects, or the development of Children's Centres on school sites. Claims of this type accounted for almost 50% of all claims, and over 80% of the total amount of excess balances. Schools are expected to provide relevant supporting documentation (e.g. minutes of governing body minutes where approval of expenditure was agreed, copies of quotations). These items would be deducted from the surplus balance calculation.

Following the closure of the accounts, all schools with an excess balance above the prescribed limit (after taking account of any amount where prior approval had been approved) were required to submit an application to carry forward sums above the limit. All applications, with appropriate supporting evidence, should then be considered by a panel of the Schools Forum and the recommendations from that panel would be submitted to the Deputy Director Children's Services (Commissioning & Partnerships), who has delegated responsibility on behalf of the Director of Children's Services of Leeds City Council, for a formal decision to be made.

Since the controls were introduced, modest levels of balances have been retained.

<b>Year</b>	<b>Number of schools</b>	<b>Total Excess Balances (£)</b>	<b>Balances Retained (£)</b>
2004/05	39	602,370	12,240
2005/06	27	338,550	21,410
2006/07	28	658,990	52,990
2007/08	54	1,699,061	31,776
2008/09	58	2,065,530	32,912

APPENDIX B lists those schools with surpluses above the prescribed limits in 2008/09, together with the recommendations of the panel.

## **6.0 DEFICIT BALANCES**

Schools with deficit balances must take account of these deficits when setting their budgets for the coming year. Where schools cannot set a balanced budget, they are expected to provide a deficit action plan which sets out the steps they will take to bring the budget back into balance within three years.

## **7.0 RECOMMENDATION**

Scrutiny Board is invited to note the process in place for dealing with school balances.

### **BACKGROUND PAPERS**

- The Leeds Scheme for Financing Schools
- Minutes of Leeds Schools Forum:
  - 3 December, 2009
  - 14 May, 2009
  - 22 January, 2009