

School Budgets - Capping of school carry forwards and schools in deficit

1. Purpose of the Report

The purpose of this report is to consider whether any schools carry forward should be capped and to update members on the progress those schools with deficit budget have made to rectify the situation.

2. Recommendation

- 2.1 The Forum agree to cap the excess balance at Adamsrill and Holy Trinity.
- 2.2 The Forum agree to allow Grinling Gibbons to carry forward their excess balance but that it must be spent by the end of the 2010/11 financial year or else will be capped.
- 2.3 The sum clawed back (178k) is set aside to assist with the cost pressures created by the bulge classes

3 Background

- 3.1 At the last meeting of the Forum a list of school carry forwards at 31 March 2010 was presented. A number of Primary schools had exceeded the capping limit of 8%. The vast majority of these had either pre-authorisation to exceed the limit or had only exceeding the 8% limit as they were holding funds attributable to other schools via collaborative arrangements or as they are more commonly known they are operating as a "banker" school. No Secondary or Special School had exceeded the 5% cap.
- 3.2 The Schools Forum asked officers to provide further information about the three schools who did not fall into categories mentioned above and bring a report back, in order for the forum to make a decision on whether the schools should be capped.
- 3.3 The carry forward listing also highlighted that a number of schools had deficits, officers were asked to provide details of the schools predicting deficits at the end of 2010/11 financial year together with the progress being made to address the situation.

4. Excess carry Forwards

4.1 The three schools concerned are Adamsrill, Grinling Gibbons and Holy Trinity.

4.2 Adamsrill

The school have requested that they are allowed to exceed the cap and the details below show the planned expenditure they wish to undertake to utilise the balance.

Description	Amount £'000
Playground Equipment	50
Water Tanks	15
Security cameras and electronic gates	25
Classroom furniture	20
Decoration / Refurbishment	10
Staff Salaries	42
Total	162

The carry forward details are as follows

Carry Forward	Amount £'000	Exceeds Cap	Exceeds cap by £'000	School Budget £'000
2009/10	240	Yes	96	1,854
2008/09	167	Yes	29	1,731

The school forecast carry forward at the end of 2010/11 is £98k

4.3 Grinling Gibbons

The school have requested that they are allowed to exceed the cap and the details below show the planned expenditure they wish to undertake to utilise the balance.

Description	Amount £'000
Pension Payment and single status	19
Late payment by Local Authority to support federation in the following financial year.	35
Premises Improvement health and safety	15
Additional Staff	11
Total	80

The carry forward details are as follows

Carry	Amount	Exceeds	Exceeds	School
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Forward	£'000	Cap	cap by £'000	Budget £'000
2009/10	133	Yes	38	1,216
2008/09	82	No	0	1,177

The school still has to provide a forecast carry forward at the end of 2010/11. The school has been written too.

4.4 Holy Trinity

The school have requested that they are allowed to exceed the cap and the details below show the planned expenditure they wish to undertake to utilise the balance.

Description	Amount £'000
Refurbishment of foyer and admin officers	23
Upgrade of radiators in new buildings	4
Upgrade of toilets	10
Refurbishment of school entrance	20
Secondary glazing in old building	25
Total	82

The carry forward details are as follows

Carry Forward	Amount £'000	Exceeds Cap	Exceeds cap by £'000	School Budget £'000
2009/10	154	Yes	82	937
2008/09	107	Yes	36	886

The school forecast carry forward at the end of 2010//11 is £42k assuming the 2009/10 carry forward is not capped.

4.5 Each of the three schools above, were invited to make comment to the Forum on their excess balance. At the time of writing this report two schools have responded. These are attached.

4.6 The scheme is quite clear that if a school has an excess carry forward for two years running then the school will be capped. Minutes of the meeting on the 29 September 2009 read *“Forum agreed if a school has excessive balance at the start of the year, provide plans to spend the sum, but still has an excess at the end of the year, this will be automatically capped. This is to be effective from the end of this financial year.”*

- 4.7** The latter does not apply to Grinling Gibbons but Adamsrill and Holy Trinity have exceeded the cap for two years running, it is recommended that with this in mind the schools have their excess balance capped.
- 4.8** Grinling Gibbons only exceeded the cap as they received a significant amount of funding late in the financial year from the Local Authority that relates to the Federation. The expenditure for which will take place this year. It would seem inappropriate to cap the school only to provide them with more funds. In the light of this it is recommended not to cap Grinling Gibbons.
- 4.9** When determining how to apply the funds that have been clawed back from schools with excessive balances the Scheme of Delegation provides that the Local Authority will consider the school improvement needs of all schools and how best they can be met, when determining how to apply the funds that have been clawed back from schools with excessive balances.
- 4.10** At the Forum meeting in March the need to accommodate between 450 and 510 extra pupils was considered. As, these pupils were not in school on the count date, no funding has been received for them. They will only attract funding from 2011/12, at that meeting extra revenue funding was set aside to meet the cost. The capital element will be met centrally. The funding is held in a contingency. It now seems more classes will open in September than anticipated and extra budgetary pressure will be experienced by schools. While the capital works are paid for there maybe a need in certain cases to provide additional works. It is proposed that any clawback is used to fund the costs mentioned above.

5 Schools with deficit budgets

- 5.1** There are a number of schools that now have budget deficits, where these come to light support is given to the school through the School Improvement Team, Schools Human Resources Team and the Schools Finance Team. If a school is in deficit the normal expected course of action is to require the school to recover the deficit in-year and that it should not roll forward to the following year. The school Improvement Team work closely with finance colleagues to ensure there is a balance between budget savings and the impact on standards.

If a school is in deficit they have to apply to the Local Authority for a Licensed Deficit agreement.

- 5.2** The current schools in deficit are

School	Deficit £'000	Year budget balances	

Forest Hill	500	2012/13	
<p>There are three main issues that have caused the budget difficulty, the sport centre, playing fields consortium and the fact there had not been a long term adjustment for the PFI costs due to the high recoverable sums in the first years of the contract. Negotiations regarding a licensed deficit has been on-going with officers for sometime and has now been agreed. The main areas of reductions have been teaching staff, leadership team, learning support assistants and a reorganisation of the administration staff within the school. It is planned that Leisure Services will manage the sports centre and the Council are looking at alternative arrangements for managing the playing fields.</p>			
Northbrook	164	2010/11	
<p>The current deficit arose very late in the 2009/10 financial year and was unexpected, it was already known that 2010/11 would be challenging. The school is planning to re-organise its year 7 from 4 to 3 year groups, not replacing a member of the teaching staff and a reduction in the learning resources budget.</p>			
Crossways	241		
<p>The College has been working on their recovery plan but still more work is needed. Currently a reorganisation of the leadership is underway.</p>			
Greenvale	43		
<p>The school are working with finance and personnel officers to see where staff savings can be found by utilising the benefits of the federation with Watergate.</p>			
St Joseph's	20	2012/13	
<p>The school has had a licensed deficit agreement since 2005/6. A substantial amount was saved in 2009/10 by re-organising the school to one form of entry. The budget is closely monitored with the school through the partnership board. However there is a concern about the current standards within the school</p>			
St James Hatcham	14	2011/12	
<p>The school has applied to the Local Authority and reductions will involve staff changes.</p>			

6 Conclusion

The number of schools above the cap has fallen from 29 in 2007/8 to the current 6 (3 being pre-authorized to exceed the cap). This is good progress and compares well with the position across London. Nevertheless it is important that the Balance Control Mechanism is applied. The creation of excess balances has already deprived the pupils who attracted the funding the benefit of it. It's application to bulge classes will ease the funding burden in relation to pupils we have not been funded for.

While it is possible that schools will have a deficit in periods of transition it is not inevitable. There is a concern that schools may enter a period of relative restraint with a deficit. A further concern is that more budget challenges are emerging from Secondary Schools.

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