

Wiltshire Council

Schools Forum

11 October 2018

Schools revenue surplus and deficit balances 2017/18

Introduction

1. This report presents the position of revenue balances for Wiltshire maintained schools as at 31st March 2018 and identifies those that are in deficit.
2. The analysis includes those schools that converted to academy status after 31st March 2018 but excludes those that converted during the 2017/18 financial year.
3. In September 2017, members considered a report on schools' balances and deficits as at 31st March 2017. In that report, the value of surpluses was £9.985 million and 17 schools were in deficit with a total value of £3.585 million.

Main considerations

4. The movement in net revenue balances over the last 3 financial years is shown in the following table: -

	2015/16	2016/17	2017/18	2017/18 Balances as % of 2017/18 Budget Share	Increase/ Decrease from 2016/17	Increase/ Decrease from 2016/17
	£	£	£	%	£	%
Primary	10,017,148	8,041,411	8,029,388	7.10	-12,023	0.15
Secondary	-1,794,414	-1,911,754	-1,802,768	1.59	108,986	5.70
Special	401,528	270,462	233,854	0.21	-36,608	13.54
	8,624,261	6,400,119	6,460,474	5.72	60,355	0.94*

*NB: this represents the total percentage increase in all schools balances between 2016/17 and 2017/18

5. Consideration of net revenue balances obscures the underlying trend of gross revenue surplus and deficit balances. For transparency, the gross balances are identified below:

	Surplus balance			Deficit balance		
	2015/16 £	2016/17 £	2017/18 £	2015/16 £	2016/17 £	2017/18 £
Primary	10,414,634	8,693,506	8,575,480	-397,486	-652,095	-546,092
Secondary	973,445	1,020,995	882,425	-2,767,859	-2,932,749	-2,685,193
Special	401,528	270,462	244,570	0	0	-10,717
Total	11,789,607	9,984,963	9,702,475	-3,165,346	-3,584,844	-3,242,001

6. Appendices attached to this report further analyse the overall position on schools' revenue balances as follows:
 - i) *Appendix 1* analyses the 2017/18 revenue balances to categorize those that are above limit, reasonable or a deficit.
 - ii) *Appendix 2* ascertains whether the Authority would trigger an investigation from the DfE, as described in paragraph 7(a), by identifying those schools that have had revenue balances in excess of 15% for the last 5 years.
 - iii) *Appendix 3* further analyses surplus revenue balances in excess of 5% or 8%, for secondary or primary/special schools respectively.
 - iv) *Appendix 4* ascertains whether the Authority would trigger an investigation from the DfE, as described in paragraph 7(b), by identifying those schools that have had a deficit balance in excess of 2.5% for the last four years.
 - v) *Appendix 5* compares planned revenue deficits against final outturn.
7. As part of the dedicated school's grant (DSG) assurance framework, the DfE ask local authorities to provide additional information where:
 - a) Where the authority has 5% of schools that have had a surplus of 15% or more for the last 5 years and their individual surplus must have been at least £10,000 each year. Authorities will only be asked for more information where at least three schools meet the criteria
 - b) Where the authority has 2.5% of its schools that have been in deficit of 2.5% or more for the last 4 years and their individual deficit must have been at least £10,000 each year.
8. Schools Forum considered how best to enable the Local Authority to fulfil its key role in supporting and challenging schools on excessive surplus balances whilst also encouraging prudent financial management. As a result, it was agreed that schools would be presented with an annual School Financial Management Information Statement at year end. This reports on key areas as follows:
 - i) **Revenue balances** - an analysis of revenue balances for the previous five years including the balance as a percentage of the School Budget Share for the corresponding year. Revenue balances in excess of 5% and 8%, for secondary and primary/special schools respectively, are highlighted as are deficit balances
 - ii) **Budget monitoring** - a comparison of the forecast year end position for revenue balances, as defined on the budget template and biannual Income and Expenditure returns, to the actual year end position to help schools determine the effectiveness of their monitoring and control

Assurance is sought from all schools that the Statement has been considered by the responsible officer and governing body.
9. When considering individual revenue balances, the underlying factors and causes generating or reducing balances need to be taken into consideration. Factors which may skew any analysis include:
 - i) Academies – year on year analyses of total revenue balance data should be discounted to reflect the effect of academy conversions

- ii) Formula Capital – schools receive significantly reduced Devolved Formula Capital allocations when compared to historic levels of funding and may retain revenue balances in support of planned capital projects
- iii) Pupil Premium and PE grant– these do not have to be spent in year and some, or all, may be carried forward to future financial years

Key issues

10. The net revenue balance of £6.46 million is an increase of 0.94% compared to the 2016/17 net revenue balance of £6.4 million. An analysis of the gross revenue surplus balances reveals that the downward trend which commenced in 2016/17 has continued with a decrease of 2.8% being recorded from 2016/17 to 2017/18.
11. Deficit balances grew from 2012/13 to 2016/17 but a decrease of 9.56% was recorded from 2016/17 to 2017/18. This was due to the conversion of Wyvern College and Trafalgar School at Downton, whose significant deficit balances were no longer included in the total.
12. Despite the exclusion of those schools converting to academy status, the number of schools in deficit has increased by 2 to 19. The total value of the deficits is £3.242 million which reflects a decrease in value of £0.34 million.
13. Since the withdrawal of the Controls on Surplus Balances Scheme from 2013/14, the number of schools with surplus balances each year has been recorded as follows:

NB: 2012/13 has been included for reference.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
≥ 5% for secondary and 8% for primary	38	61	82	99	75	78
≥ 15%	7	14	26	36	27	28

14. Appendix 2 informs that 6 schools have had revenue balances in excess of 15% for each of the last five years. This equates to 4.2% of Wiltshire Schools as at March 2018 and would not trigger further enquiry from the DfE as described in paragraph 7(a).
15. Appendix 4 informs that 4 schools have been in deficit of 2.5% or more for each of the last four years. This equates to 2.78% of Wiltshire Schools as at March 2018 and could, potentially, trigger further enquiry from the DfE as described in paragraph 7(b).
16. Appendix 5 indicates that 15 of the 19 schools in deficit had predicted a year end deficit.
17. The School Financial Management Information Statement was presented to schools for the 2016/17 financial year and assurance was sought that the Statement had been considered by the responsible officer and governing body. 97 of 157 schools responded and, of these, 13 included comments in support.
18. As schools convert to academy status there is an impact on the value of balances held by schools and recorded in the Local Authority's accounts. Converter and sponsored academies are able to take any accumulated capital and revenue balances with them with the exception of those schools closed through statutory processes or the Secretary of State issuing an academy order in respect of the school being eligible for intervention.

19. Deficit balances, unlike surplus balances, are not covered in the same way by legislation. For a converter academy, the local authority is reimbursed the value of the deficit with the money being recovered via abatement of the academy's General Annual Grant. In the case of a sponsored academy, the deficit remains with the local authority to be funded from its core budget.

Recommendations

20. Schools Forum members are invited to note the report and comment on this report.

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