

**SCHOOLS FORUM**  
**October 2013**

**SCHOOLS REVENUE SURPLUS AND DEFICIT BALANCES 2012/13**

**Introduction**

1. This report presents the position of revenue balances of Wiltshire maintained schools as at 31<sup>st</sup> March 2013 and identifies those that are in deficit.
2. Members last considered a report on schools' balances and deficits in October 2012. In that report, 19 schools were in deficit with a total value of £2.005 million and the value of surpluses was £10.767 million.
3. A Controls on Surplus Balances Scheme is in place for the 2012/13 financial year which applies permissible limits to school balances as follows:
  - Secondary schools - up to 5% of school budget share
  - Primary and special schools - the greater of 8% of school budget share or £10,000
 Any surplus balances in excess of the above limits may be clawed back and redistributed to the sector from which they arose.

**Main Considerations**

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

	2010/11	2011/12	2012/13	2012/13 Balances as % of 2012/13 Budget Share	Increase/ Decrease from 2011/12	Increase / Decrease from 2011/12
	£	£	£	%	£	%
Primary	6,393,619	7,932,379	7,499,409	4.69	-432,970	-5.46
Secondary	3,638,915	-238,132	-367,569	-0.23	-129,437	-54.36
Special	1,051,587	1,068,324	814,200	0.51	-254,124	-23.79
	<u>11,084,121</u>	<u>8,762,571</u>	<u>7,946,040</u>	<u>4.97</u>	<u>-816,531</u>	<u>-9.31*</u>

\*NB: this represents the total percentage decrease in all schools balances between 2011/12 and 2012/13

Note that the movement in balances for Secondary Schools in particular is impacted on by the number of schools that have converted to academy status over that period.

5. Appendices 1, 2 and 3 attached to this report summarise the overall position on schools' revenue balances and detail the position on deficits as at 31<sup>st</sup> March 2013.

The main points are:

- a) The net revenue balances now stand at £7.946 million and represents 4.97% of budget shares for 2012/13. This reflects a decrease of 9.31%, £0.816 million, when compared with 2011/12 net revenue balances of £8.763 million.

- b) 45 schools have revenue balances above the permissible limits, these totalling £4.37 million. This indicates that 22.5% of schools are holding 55% of all revenue balances.

Under the Controls on Surplus Balances Scheme, schools with balances above the permissible limits are required to submit an Intended Use of Revenue Balances return. These have been scrutinised by officers to ensure that funds have been properly assigned and are summarised at Appendix 3. As follows:

Total revenue balances (a)	£4,371,367
Specific reserves:	
Planned capital investments met from revenue	£1,036,384
Ring fenced grants	£301,725
Pupil 'trigger' funding notified late in the year	£72,840
Unspent Pupil Premium Grant	<u>£254,209</u>
Less balances held for specific reserves (b)	£1,665,158
Leaving a general balance of (c)	£2,706,209

Where an individual school shows an excess balance above the permissible threshold, the local authority (LA) may claw back the balance. The School Funding Working Group has considered a detailed report which indicates that an excess balance of £28,644 (Appendix 3, column e) for one school should be subject to the claw back mechanism. This school should now be sent a letter advising them of the position and giving them the opportunity to appeal.

- c) The number of schools in deficit is 16 with a total value of £1.212 million. This reflects a decrease in numbers and value of 3 and £0.793 million respectively when compared to 2011/12, as detailed in paragraph 2 above.
- d) Schools converting to academy status post 31<sup>st</sup> March 2013 are included in the analysis of net revenue balances. Of these, one had balances above the permissible threshold but, as it was now outside the Wiltshire Controls Scheme, was not required to complete the return.
6. With effect from April 2011, the DfE removed the requirement for LA's to have a clawback mechanism but advised that they could choose to continue with their existing arrangements. Following consultation with all maintained schools, Schools Forum agreed a revision to the Wiltshire scheme for funding schools to withdraw the control mechanism on surplus balances with effect from the 2013/14 financial year.
7. In April 2012, the DfE published a consultation on strengthening the assurance system for financial management in LA maintained schools. The proposals were designed to help ensure that authorities, and their schools, are managing the vast sums of public money they receive with propriety, securing value for money across all spending.

Having considered the responses, the DfE has now confirmed that on receipt of the 2012/13 outturn data they will be requesting LA's to provide additional information where they have areas for concern. The criteria are as follows:

- a) The LA has overspent its Dedicated Schools Grant by 2% or more (i.e. it is 2% or more in deficit)
- b) The LA has underspent its Dedicated Schools Grant by 5% or more (i.e. it is 5% or more in surplus)

- c) The LA 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. LAs will only be asked for more information where at least three schools meet the criteria
- d) The LA 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. LAs will only be asked for more information where at least three schools meet the criteria

Criteria (c) and (d) are pertinent to this report and an analysis of the Wiltshire LA position on each is included at Appendix 4 and 5 respectively. This indicates that the Wiltshire outturn data for 2012/13 would not trigger further enquiry from the DfE.

## **Recommendations**

- 11. Schools Forum members are invited to comment on this report.

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