

SCHOOLS FORUM
November 2014

SCHOOLS REVENUE SURPLUS AND DEFICIT BALANCES 2013/14

Introduction

1. This report presents the position of revenue balances of Wiltshire maintained schools as at 31st March 2014 and identifies those that are in deficit.
2. Balances relating to schools that converted to academy status during the financial year are excluded from this paper.
3. Schools Forum last considered a report on schools' balances and deficits in October 2013. In that report, 16 schools were in deficit with a total value of £1.212 million and the value of surpluses was £9.158 million.

Main Considerations

4. The DfE withdrew the requirement for local authorities to have a claw back mechanism in place with effect from April 2011. In response, Schools Forum agreed to remove the Wiltshire Council mechanism, the Controls on Surplus Balances Scheme, from 2013/14. This operated with permissible thresholds of 5% and 8% for secondary and primary/special schools respectively.

In 2012, the DfE consulted on improving the assurance system for financial management in local authority maintained schools and, in response, are now asking authorities to provide additional information where they have concerns that money is not being used with propriety and that value for money is not being secured (see paragraph 8). Significantly, from 2011/12, they are challenging authorities with 5% of schools that have had a surplus of 15% or more for the last 5 years.

In support of this, the classification of balances has now been reviewed as follows:

Balances above limit: Greater than 15% of School Budget Share
 Reasonable: Positive, but below 15% of School Budget Share
 Deficits: Negative

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

	2011/12	2012/13	2013/14	2013/14 Balances as % of 2013/14 Budget Share	Increase/ Decrease from 2012/13	Increase / Decrease from 2012/13
	£	£	£	%	£	%
Primary	7,932,379	7,499,409	7,807,796	5.24	308,387	4.11
Secondary	-238,132	-367,569	-370,978	-0.25	-3,409	-0.93
Special	1,068,324	814,200	1,192,496	0.8	378,296	46.46
	<u>8,762,571</u>	<u>7,946,040</u>	<u>8,629,315</u>	<u>5.79</u>	<u>683,274</u>	<u>8.6*</u>

*NB: this represents the total percentage increase in all schools balances between 2012/13 and 2013/14

The net revenue balances now stand at £8,629 million and represent 5.79% of budget shares for 2013/14. This reflects an increase of 8.6%, £0.683 million, when compared with 2012/13 net revenue balances of £7.946 million.

Appendix 1 details the overall position on schools' revenue balances as at 31st March 2014.

6. The number of schools in deficit is 15 with a total value of £1.314 million. This reflects a decrease in number of 1 and increase in value of £0.102 million when compared to 2012/13, as detailed in paragraph 3 above.

Appendix 2 details the position on deficits as at 31st March 2014.

7. In April 2012, the DfE published a consultation on strengthening the assurance system for financial management in Local Authority (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 confirmed that from 2011/12 they would be asking local authorities to provide additional information where:

- 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. LA's 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. LA's 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 3 and 4 respectively. This indicates that the Wiltshire outturn data for 2013/14 would not trigger further enquiry from the DfE.

8. Following the removal of the Controls on Surplus Balances Scheme, Schools Forum considered the implementation of a more holistic approach to fulfilling the Authority's role in supporting schools to achieve sound financial control as required under Section 48 of the Schools Standard and Framework Act 1998. Officers are currently working on a format that would consolidate the existing reporting regime in a year end report to individual schools on the effectiveness of their monitoring, to be considered and ratified by the governing body. This will be presented to Schools Funding Working Group in January 2015 for implementation from the 2014/15 financial year.

Recommendations

9. Schools Forum members are invited to comment on this report.

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