

SCHOOLS REVENUE SURPLUS AND DEFICIT BALANCES 2009-10

Introduction

1. This report presents the position of balances of Wiltshire schools as at 31st March 2010 and identifies those that are in deficit.
2. Members last considered a report on Schools' balances and deficits in October 2009. In that report, 13 schools were in deficit with a total value of £0.515 million and the value of surpluses was £14.476 million.
3. A Controls on Surplus Balances Scheme is in place which applies limits to school rollovers as follows:
 - Secondary schools up to 5% of school budget share
 - Primary and special schools, 8% of school budget share or £10,000 whichever is the higher.Any surplus balances in excess of the above thresholds may be clawed back and redistributed to the sector from which they arose.
4. A performance target has been set by the Chief Financial Officer that limits deficits to 10% of total positive balances.

Summary of Main Considerations

Current situation and trends

5. Appendices 1 and 2 to this report summarise the overall position on schools' revenue balances, by phase of school, and details the position on deficits as at 31st March 2010.
6. The main points are:
 - The net revenue balances now stand at £10.914 million and represents 4.44% of budget shares for 2009-2010
 - This reflects a decrease of 21.83%, £3.047 million, when compared with 2008-2009 net revenue balances.
 - The number of schools in deficit is 21 with a total value of £0.725 million. This reflects an increase in numbers and value, of 8 and £0.210 million respectively, when compared to the previous year-end, as detailed in paragraph 2 above.
 - The number of schools with balances above the permissible threshold (see Para. 3 above) is 51 with a total value of £5.918 million. This indicates that 22% of schools appear to be holding 51% of all revenue balances. The Intended Use of Revenue Balances returns, required by the Controls on Surplus Balances Scheme, have been scrutinised by officers to ensure that funds have been properly assigned and will be monitored to check these funds have been spent accordingly. Appendix 3 lists these schools and shows:-

The total revenue balances of the 51 schools	£5.918m	(a)
Balances held for specific purposes as detailed in the Controls on Surplus Balances Scheme e.g. planned projects	- £2.464m	(b)
Leaving a general balance of	£3.454m	(c)

- Where an individual school shows an excess balance above the permissible threshold (Appendix 3 Column d) the LA may claw back these funds. The School Funding Working Group has considered a detailed report which indicates that £0.179 million excess balances, (column e) of five schools should be subject to the claw back mechanism. These schools should now be sent letters advising them of the position and giving them the opportunity to appeal.
- The process for the claw back of funds has highlighted the practicalities of redistributing what could be small sums of money within the financial year in which they are clawed back. Schools Forum, on 2nd October 2007, agreed :-
 - a. the principle of redistribution of funds within the sector from which they originated
 - b. any clawed back funds below a threshold of £100K within any sector be used towards the write off of closed schools deficit budgets. Any surplus to be used to off-set costs of premature retirement (if allowed)
 - c. the methodology to be used in the event that sums are redistributed to be based on the AWPU rate.
- Overall, deficits are within the Chief Financial Officers' target of 10% of positive rollovers. The actual is 6.23%.

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

	2007 - 08	2008 - 09	2009 - 10	2009-10 Balances as % of 2009-10 Budget Share	Increase/ Decrease from 2008-09	Increase / Decrease %
	£	£	£	%	£	%
Primary	7,239,041	8,036,294	6,171,009	2.51%	-1,865,284	-23.21%
Secondary	5,949,782	5,250,613	4,003,849	1.63%	-1,246,764	-23.75%
Special	870,223	673,835	738,699	0.30%	64,864	9.63%
	<u>14,059,046</u>	<u>13,960,741</u>	<u>10,913,557</u>	<u>4.44%</u>	<u>-3,047,184</u>	<u>-21.83%*</u>

*NB this represents the total percentage decrease in all schools balances between 2008-09 and 2009-10

8. Detailed below is an analysis of the Intended Use of Revenue Balances returns received from 162 schools for 2009-10, including those schools under the permissible threshold:-

Planned investment of a capital nature to be met from revenue	£1.151m
Ring fenced grants	£1.559m
Additional funding made late in financial year	£0.100m
Unspent LSC in year pupil adjustments for post 16 students	<u>£0.000m</u>
Earmarked Reserves	£2.810m
General Balance - Schools above permissible threshold	£3.454m
General Balance – Other schools	<u>£3.245m</u>
General Balance	£6.699m
Revenue Balances of schools which submitted a return	£9.509m

Intended Use of Revenue Balances returns were received from 162 out of a total 236 schools. 21 schools were in deficit so were not required to make a return and for those schools with reserves below their permissible balance (see Para 13 below) it is not compulsory to provide this information. The above analysis represents a 69% compliance rate and indicates that, in respect of those schools that completed the return, 30% of their total revenue balances have been retained for specific reserves. Of those schools required to submit a return i.e. above the threshold, 100% complied.

The analysis also shows that a significant amount of schools' revenue reserves (12%) is earmarked to support projects of a capital nature.

The Financial and Accountability Environment for Schools

- Between 2008-09 and 2009-10 total revenue surpluses have reduced by £2.84m. Officers are of the view that the measures put in place to facilitate the reduction in high revenue balances and in particular the implementation of the revised 'Controls on Surplus Balance Scheme' introduced for the financial year 2009-10 have been instrumental in reducing revenue balances this year.
- Officers have analysed the balances of 21 schools which have carried forward excess revenue balances for four consecutive years. They are satisfied that such balances have been properly assigned and appropriately spent.
- Projections for Wiltshire schools, derived from Budget Templates received to date, indicate a significant reduction in revenue balances and considerable increases in deficit balances for the financial years 2010-11 and 2011-12 as detailed below:

Projected balances 2010-11

Deficit balances – 23 schools	£0.896m
Revenue balances - 210 schools	<u>£7.127m</u>
Net Revenue Balance	£6.231m

Projected balances 2011-12

Deficit balances – 53 schools	£3.163m
Revenue balances – 171 schools	<u>£5.084m</u>
Net Revenue Balance	£1.921m

NB: Budget Templates are produced utilising be-spoke forward planning software in which assumptions on inflation factors for future years are pre populated. These assumptions are likely to change when the outcome of the Governments Comprehensive Spending Review is published in October.

- In July 2009 the DCSF and LGA conducted a joint survey to find out local authority practice and views on balance control. Feedback from the survey was used to

develop a best practice guide for local authorities on managing surplus school balances.

An analysis of this guidance, together with an evaluation of Wiltshire Council current practice against the key factors, is attached at Appendix 4. The comparison clearly demonstrates that Wiltshire Council has sound procedures in place to successfully manage school balances.

13. Legislation prevents the Authority from enforcing disclosure of intended use of reserves, unless those reserves exceed 5% of budget share. Voluntary disclosure, while recommended to schools, cannot ensure that a complete picture of the intended use of reserves is available for publication.

Recommendations

15. Schools Forum members are invited:-

- i) to comment as appropriate on this report

CAROLYN GODFREY
Director, Department for Children & Education

*Report Author: Phil Cooch, Schools Accounting and Budget Support Manager
Tel: 01225 713814
e-mail phil.cooch@wiltshire.gov.uk*