

SCHOOLS REVENUE SURPLUS AND DEFICIT BALANCES 2010-11

Introduction

1. This report presents the position of balances of Wiltshire schools as at 31st March 2011 and identifies those that are in deficit.
2. Members last considered a report on Schools' balances and deficits in October 2010. In that report, 21 schools were in deficit with a total value of £0.725 million and the value of surpluses was £11.639 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 2011.
6. The main points are:
 - The net revenue balances now stand at £11.084 million and represents 4.54% of budget shares for 2010-2011
 - This reflects an increase of 1.56%, £0.171 million, when compared with 2009-2010 net revenue balances of £10.914 million.
 - The number of schools in deficit is 23 with a total value of £1.267 million. This reflects an increase in numbers and value of 2 and £0.542 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 41 with a total value of £5.385 million. This indicates that 17.6% of schools appear to be holding 44% 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 41 schools	£5.385m	(a)
Balances held for specific purposes as detailed in the Controls on Surplus Balances Scheme e.g. planned projects	- £2.196m	(b)
Leaving a general balance of	£3.189m	(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 £0.006 million excess balances (column e) of three 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.
- Deficits are slightly above the Chief Financial Officers' target of 10% of positive rollovers. The actual is 10.26%.

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

	2008 – 09	2009 – 10	2010 – 11	2010-11 Balances as % of 2010-11 Budget Share	Increase/ Decrease from 2009-10	Increase / Decrease
	£	£	£	%	£	%
Primary	8,036,294	6,171,009	6,393,619	2.62%	+222,610	+3.61%
Secondary	5,250,613	4,003,849	3,638,915	1.49%	-364,934	-9.11%
Special	673,835	738,699	1,051,587	0.43%	+312,888	+42.36%
	<u>13,960,741</u>	<u>10,913,553</u>	<u>11,084,122</u>	<u>4.54%</u>	<u>170,564</u>	<u>1.56%*</u>

*NB this represents the total percentage decrease in all schools balances between 2009-10 and 2010-11

8. Detailed below is an analysis of the Intended Use of revenue Balances returns received from 41 schools which were over their permissible threshold:

Intended use of revenue balances of the 41 schools:	£	%
Specific Reserves:		
Planned investments of capital nature to be met from revenue	1,088,037	20
Ring fenced grants	996,590	19
Pupil 'trigger' funding notified late in the year	111,601	2
General Balance	3,188,803	59
Total Revenue Rollover	5,385,031	

9. At it's meeting on 2 February 2011, Schools Forum agreed that the thresholds for clawback of excess reserves for Downland School would be:

- 26.5% for 2011/12
- 26.8% for 2012/13
- 18.8% for 2013/14
- 8% from 2014/15 onwards

This decision followed a review of the school's Transitional Protection funding. Downland School had a revenue rollover of £530,452 for 2011/12 which was below the revised permissible threshold of £542,192.

10. Five schools converted to academy status during the financial year 2011/12 and their net revenue balance of £260,147, as at the point of conversion, is included in the analysis at paragraph 7.

Recommendations

15. Schools Forum members are invited:-

- i) to comment as appropriate on this report

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Appendices 1 and 2 - overall position on schools' revenue balances
Appendix 3 - schools with balances above the permissible threshold