

## SCHOOLS FORUM

4 October 2012

**SCHOOLS REVENUE SURPLUS AND DEFICIT BALANCES 2011-12****Introduction**

1. This report presents the position of balances of Wiltshire maintained schools as at 31<sup>st</sup> March 2012 and identifies those that are in deficit.
2. Members last considered a report on schools' balances and deficits in October 2011. In that report, 23 schools were in deficit with a total value of £1.267 million and the value of surpluses was £12.351 million.
3. A Controls on Surplus Balances Scheme is in place which applies limits to school balances 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. With effect from April 2011, the DfE removed the requirement for Local Authorities to have a clawback mechanism in place and advised that there would be a consultation on making changes to the current arrangements from 2012/13. In the interim period, local authorities could choose to continue with their existing arrangements. At their meeting on 3<sup>rd</sup> March 2011, Schools Forum agreed to continue with the existing Scheme pending publication of revised guidance.
5. A performance target has been set by the Chief Financial Officer that limits deficits to 10% of total positive balances.

**Main Considerations**

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

	2009/10	2010/11	2011/12	2011/12 Balances as % of 2011/12 Budget Share	Increase/ Decrease from 2010/11	Increase / Decrease from 2010/11
	£	£	£	%	£	%
Primary	6,171,009	6,393,619	7,932,379	4.15	1,538,760	24.07
Secondary	4,003,849	3,638,915	(238,132)	-0.12	-3,877,047	-106.54
Special	738,699	1,051,587	1,068,324	0.56	16,737	1.59
	<u>10,913,553</u>	<u>11,084,121</u>	<u>8,762,571</u>	<u>4.58</u>	<u>-2,321,550</u>	<u>-20.94*</u>

\*NB: this represents the total percentage decrease in all schools balances between 2010/11 and 2011/12

7. Appendices 1 and 2 to this report summarise the overall position on schools' revenue balances and detail the position on deficits as at 31<sup>st</sup> March 2012.

8. The main points are:

- The net revenue balances now stand at £8.763 million and represents 4.58% of budget shares for 2011-12 (see paragraph 7).
- This reflects a decrease of 20.94%, £2.321 million, when compared with 2010-2011 net revenue balances of £11.084 million.
- By the 31<sup>st</sup> March 2012, over 50% of Wiltshire secondary schools had converted to academy status. The balances of the remaining secondary schools have been included in the revenue balance total and, significantly, of these 5 had a deficit balance totalling £1.772 million. This has contributed to a decrease in secondary school balances of 106.54% compared with 2010/11 balances.
- The number of schools in deficit is 19 with a total value of £2.005 million. This reflects a decrease in numbers of 4 but an increase in value of £0.737 million when compared to 2010-11, as detailed in paragraph 2 above.
- The number of schools with balances above the permissible threshold (see paragraph 3 above) is 58 with a total value of £5.932 million. This indicates that 27.2% of schools appear to be holding 55.1% 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 the schools and shows:-

Revenue balances above permissible threshold (a)	£5,932,225
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Specific reserves:

Planned capital investments met from revenue	£917,553
Ring fenced grants	£457,012
Pupil 'trigger' funding notified late in the year	£72,840
Unspent Pupil Premium Grant	<u>£320,349</u>

Less balances held for specific reserves (b)	£1,767,754
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Less revenue balances held for the three schools who converted to academy status post 31/03/12	£984,474
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Leaving a general balance of (c)	£3,179,997
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- Deficits are 18.62% of positive balances which is above the Chief Financial Officers' target of 10%.
- Where an individual school shows an excess balance above the permissible threshold, the local authority may claw back the balance. The School Funding Working Group has considered a detailed report which indicates that an excess balance of £404 (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.

9. At its meeting on 2<sup>nd</sup> February 2011, following a review of the school's Transitional Protection funding, Schools Forum agreed that the thresholds for clawback of excess reserves for Downland School would be:-
- 26.5% of School Budget Share for 2011/12
  - 26.8% of School Budget Share for 2012/13
  - 18.8% of School Budget Share for 2013/14
  - 8% of School Budget Share from 2014/15 onwards
10. Schools converting to academy status post 31<sup>st</sup> March 2012 are included in the analysis of net revenue balances at paragraph 8. Of these, 3 had balances above the permissible threshold but as they are now outside the Wiltshire Controls Scheme were not required to complete the return.
11. At its meeting on 20<sup>th</sup> February 2012, the Schools Funding Working Group agreed the following:
- Pupil Premium Grant (PPG) to be excluded from the calculation of a schools permitted revenue balance threshold
  - Any unspent PPG at year end to be reported on the Intended Use of Revenue Balances return under section 2 as a permitted ring fenced grant
  - Schools would not be required to provide any explanation in support of unspent PPG
- Unspent PPG accounted for 18.12% of reported balances held for specific reserves.
12. 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 2<sup>nd</sup> 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

## **Recommendations**

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

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