

## SCHOOLS FORUM AGENDA ITEM

For Action For Information 

**Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

To update the Schools Forum on the position of maintained school revenue balances at 31 March 2017.

**Date (s) of any Previous Discussion at the Forum**

The Forum received information on the position of school balances held at 31 March 2016 on 18 May 2016.

**Background / Context**

The financial year runs from 1 April to 31 March. At the end of each financial year, schools are required to 'closedown' their accounts and to finalise the values of balances held at this point. This information is forwarded to the DfE and is publicly published. The Authority's Deficit Budget Protocol is in place to manage schools that hold (or forecast to hold) deficit revenue balances.

Maintained schools are permitted to carry forward surplus revenue balances. Currently, schools with revenue balances in excess of 4% (Secondary) or the greater of £60,000 or 6% (all other schools) of funding must comply with the Authority's Surplus Balances Protocol, which requires schools to assign the value of excess balances to spend on permitted schemes. With the School Forum's support, the Surplus Balances Protocol was reviewed (strengthened) during 2013.

**Details of the Item for Consideration**

Please see Appendix 1 for a full list of school balances at 31 March 2017. Unfortunately, we are not able at this time to separate within the figures the values of balances held by each school that relate to collaborative arrangements. This information will not be available until final CFR returns have been submitted by schools in early June. The table below summarises the overall positions for each phase and gives a comparison against the absolute positions at 31 March 2016.

	<b>March 2017</b>	<b>March 2016</b>	<b>£ Difference</b>
Nursery	£658,544	£634,274	<b>+ £24,270</b>
Primary	£8,579,706	£13,192,865	<b>- £4,613,159</b>
Secondary	- £634,646	£3,306,510	<b>- £3,941,156</b>
Special	£354,372	£692,554	<b>- £338,182</b>
PRUs	£666,466	£1,041,564	<b>- £375,098</b>
<b>Total</b>	<b>£9,624,441</b>	<b>£18,867,767</b>	<b>- £9,243,326</b>

Please note that the totals above are affected by the reduction in the number of maintained schools, as schools convert to academy status. Balances held by academies are not included within the Authority's reporting. At 31 March 2017, 37 fewer schools were maintained by the Local Authority than at 31 March 2016. These 37 schools held revenue balances in total of £6.02m at 31 March 2016.

**Surplus Balances Protocol**

The revised Surplus Balances Protocol, which has been in place since March 2014, has been implemented with the main purpose of further supporting / encouraging schools to maximise the spending of their resources in support of raising standards. The two key aspects of the revised Protocol are:

a) Thresholds of 4% (Secondary) and the greater of 6% or £60,000 (all other phases, but with additional flexibility for high needs providers) apply.

b) The types of expenditure for which balances above the thresholds can be held are restricted to the following:

- A revenue contribution to an agreed capital scheme, only where capital resources are not sufficient.
- A revenue contribution to a 'spend to save' scheme, including energy efficiency schemes.
- Balances earmarked to support the costs incurred by the review of contracts of a significant value, where expenditure is not even year on year, including Building Schools for the Future.
- Managing the costs of expansion of pupil numbers.

### Details of the Item for Consideration

- Managing financial difficulties associated with a budget reduction in the following financial year, resulting from either a significant reduction in pupil numbers or a loss or significant reduction of a specific funding stream.
- Managing exceptional circumstances in such a way as to avoid significant financial turbulence that may impact on standards. This may include, for example, outcomes of HR processes.

In terms of impact, firstly we might expect to see a reduction over time in the values of revenue balances held by schools. The table below shows an analysis of the balances positions by phase, having removed the 'distorting' effect of the conversion of maintained schools to academies:

	<b>March 2017</b>	<b>March 2016</b>	<b>Difference</b>
Nursery	£658,544	£634,274	<b>+ £24,270</b>
Primary	£8,579,706	£10,033,165	<b>- £1,453,459</b>
Secondary	- £634,646	£446,068	<b>- £1,080,714</b>
Special	£354,372	£692,554	<b>- £338,183</b>
PRUs	£666,466	£1,041,564	<b>- £375,098</b>
<b>Total</b>	<b>£9,624,441</b>	<b>£12,847,625</b>	<b>- £3,223,184</b>

The gross value of total surpluses held at 31 March 2017 is £11.984m. The gross value of deficits is £2.360m (8 schools). The gross value of deficits at 31 March 2016 was £1.162m (6 schools).

The table above, and Appendix 1, show a mixed picture \*:

- The gross value of surplus balances at March 2017 held by the Secondary sector is roughly the same as held at March 2016 by remaining maintained schools. However, this sector is in deficit overall, driven especially by the worsened position of 1 school. 2 further schools hold deficit balances. £0.492m of the total surplus for this sector is held in IUB Schemes in support of contractual costs.
- A reduction in the total value of balances held by Primary schools, but a mixed picture, with 64 schools reducing and 42 schools increasing their balances. 4 schools hold a revenue deficit (compared with 1 school at March 2016).
- A sizeable reduction in the value of balances held by the PRUs, mostly explained by the reduction in the balance at 1 PRU with the progression of building works (and the related revenue contribution to capital).
- A sizeable reduction in the total value of balances held by Special schools, with 2 of the 6 schools quite significantly reducing their balances. 1 Special school holds a revenue deficit.
- A fairly static position in total in Nursery schools, but underlying this is some significant movement, with 3 schools increasing and 4 schools decreasing their balances by - £30k

\* Further information will be presented verbally on any relationships between changes in value of balances during 2016 and types of school or characteristics of pupils.

The table below shows the number of school by phase by revenue balance as a % of funding at March 2017:

	<b>Nursery</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>PRUs</b>
Deficit	0	4	3	1	0
Up to 1%	0	4	0	1	0
1% - 2%	0	10	1	0	0
2% - 4%	0	23	2	2	2
4% - 6%	0	40	0	0	0
6% - 8%	1	12	0	1	1
8% - 10%	1	9	1	1	0
10% - 20%	2	4	0	0	2
> 20%	3	0	0	0	2

This table shows how this position has changed from that at March 2016:

	<b>Nursery</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>PRUs</b>
Deficit	- 1	+ 3	Same	Same	Same
Up to 1%	Same	+ 3	Same	+ 1	Same
1% - 2%	Same	+ 2	+ 1	Same	Same
2% - 4%	- 1	+ 7	Same	+ 1	+ 2
4% - 6%	Same	- 8	- 1	Same	- 2
6% - 8%	Same	- 5	- 1	- 1	+ 1
8% - 10%	+ 1	+ 3	+ 1	Same	- 1
10% - 20%	+ 1	- 5	Same	- 1	Same
> 20%	Same	Same	Same	Same	Same

### **Details of the Item for Consideration**

The table below shows the median average value of net balance by phase:

	<b>Median Mar 2017</b>	<b>Median Mar 2016</b>	<b>Change</b>
Nursery	£89,738	£77,023	+ £12,715
Primary	£63,769	£79,196	- £15,427
Secondary	£99,928	£259,489	- £159,561
Special	£89,947	£155,378	- £65,431
PRUs	£58,099	£57,680	+ £499
<b>Total</b>	<b>£64,108</b>	<b>£82,657</b>	<b>- £18,549</b>

At 31 March 2016 (last year), 51 maintained schools held balances above their Intended Use of Excess Balances Thresholds, with a total value of balances above these Thresholds of £4.13m. After legitimate adjustments, such as for balances held on behalf of other schools, external ring-fenced grants and later notification of funding payments, 33 maintained schools held what the Council's Surplus Balances Protocol defines to be an 'excess' balance, at a total value of £2.38m. 36 schools returned schemes, with the total value of schemes adding up to £3.66m.

The equivalent position at 31 March 2016 is 30 schools (-21) are holding balances above their Thresholds, at total value of £1.83m (-£2.33m). After legitimate adjustments have been made, 20 schools (-13) are holding what the Council's Surplus Balances Protocol defines to be an 'excess' balance, at a total value of £1.36m (-£1.02m). 23 schools (-13) have returned 25 schemes, with the total value of schemes adding up to £1.91m (-£1.75m). A breakdown of schemes by type is shown in the table below:

<b>Type of Scheme</b>	<b>No. of Schemes</b>	<b>Total Value of Schemes</b>
1 Revenue Contribution to Capital Scheme	13	£969,814
2 Revenue Contribution to Spend to Save	0	£0
3 Contracts Review (including BSF)	2	£517,166
4 Managing Places Expansion	4	£109,583
5 Managing Budget Reduction	5	£290,655
6 Managing Exceptional Circumstances	1	£25,000
<b>Total</b>	<b>25</b>	<b>£1,912,218</b>

Of these schemes, all but 1 are planned to be completed by 31 March 2017. Of the 20 schools holding an excess balance at 31 March 2017, all appear to have properly assigned the value of excess and therefore, there are currently no proposals for clawback.

Our initial conclusion from a simple analysis of the balances and Intended Use of Balances reporting positions at 31 March 2017 is that the Council's revised Surplus Balances Protocol continues to have an impact:

- No schools have breached their Thresholds without having assigned an appropriate value of balance to schemes, suggesting that the quality of financial planning and monitoring is continuing to improve.
- The number of schools above their Thresholds at 31 March 2017 has reduced from 51 to 30 and the value of balances held by these schools above their Thresholds has also significantly reduced.
- The total value of balances held by schools has reduced. It is expected that balances will reduce further during 2017, especially where the sums currently being held for specific commitments are spent.

We must however, also recognise that the tighter financial climate is having / will have an impact on the values of balances held as well as the continued conversion of maintained schools to academy status. 62% of maintained schools reduced the sizes of their balances during 2016/17 (had 'in year' deficits).

### **Implications for the Dedicated Schools Grant (DSG) (if any)**

#### **General Context and Framework**

- Deficit budgets on the closure of a maintained school revert back to the Local Authority and may be charged to the DSG if de-delegated arrangements operate to enable this. Surplus balances are credited to the DSG.
- Any claw back of surplus balances from maintained schools through the Intended Use of Balances process increases the amount of funding available for the Schools Budget in the DSG.
- On the conversion of a maintained school to academy status,
  - a deficit of a maintained school that is a 'converter' academy is transferred to the academy trust (so there is no liability on the Local Authority nor the DSG).
  - a deficit of a maintained school that is a 'sponsored' academy reverts back to the Local Authority and may be charged to the DSG if de-delegated arrangements operate to enable this.

**Implications for the Dedicated Schools Grant (DSG) (if any)**

Members received an update on the position of balances in relation to academy conversions on 15 March. At this meeting, Members agreed that the position of school and academy budgets would be a standing item on the agenda of future Forum meetings. An update on the position presented on 15 March is as follows:

- Since February 2016, at time of writing this report, the Local Authority has now completed the financial close of 37 maintained schools that have converted to academy status. None of these have finally closed with deficit budgets (1 academy has repaid back a small overspend). A total of £7.54m of surplus balances has been paid across for these 37 conversions.
- The Local Authority is currently processing the financial closures of 2 maintained schools that have converted to academy, none of which are sponsored academies i.e. there have been 39 conversions of maintained schools to academy status in total between February 2016 and June 2017. On current information, these 2 schools will convert with either surplus or zero balances. We will continue to keep the Schools Forum informed about the position of these conversions.
- At 1 June 2017 we have 132 maintained schools. We have immediate sight of around 30 schools that are planning conversion / may convert / are likely to convert during 2017. The position is moving regularly. Approximately 4 of these 30 would potentially be regarded as sponsored academies. On current information, there is risk of a small value of deficit in one of the 4 potential sponsored conversions (a primary sponsored academy). Forum members are reminded that a de-delegated fund of £150,000 was established in 2017/18 to be available to cover the value of deficits in the primary phase.

Further information will be presented verbally on the early messages and trends coming from the Authority's analysis of 2017/18 budget submissions from maintained schools.

**How does this item support the achievement of the District's Education Priorities**

Schools maximising their resources in support of raising standards.

**Recommendations**

**The Schools Forum is asked to note the information provided on school balances.**

**List of Supporting Appendices / Papers (where applicable)**

Appendix 1 – Summary of Maintained School Revenue Balances at 31 March 2017

**Contact Officer (name, telephone number and email address)**

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