

SCHOOLS FORUM AGENDA ITEM

For Action For Information

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

This report presents the position of revenue balances held by maintained schools at 31 March 2023.

Date (s) of any Previous Discussion at the Forum

The Forum receives information on the position of maintained school balances in summer term each year.

Background / Context

The financial year for maintained schools 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 revenue and capital 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. However, maintained schools with revenue balances of a value in excess of 4% (Secondary) or the greater of £60,000 or 6% (all other schools, but with additional flexibility for high needs providers) of funding must comply with the Authority's Surplus Balances Protocol, which requires schools to assign the values of excess balances to spend on permitted schemes. 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.
- 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.

As part of our COVID-19 pandemic response, the Authority suspended the application of the Surplus Balances Protocol at March 2020 and at March 2021 and did not require schools to submit returns. The Surplus Balances Protocol was applied at March 2022 and has been applied again for balances held at March 2023, with this Protocol including flexibilities, which enable maintained schools to retain funds in support of catch up / recovery activities, financial issues such as utilities costs, and to manage multi-year budget pressures.

Details of the Item for Consideration

The table below summarises the overall net positions for each phase and gives a comparison against the absolute positions of balances held by maintained schools last year at 31 March 2022.

	March 2023	March 2022	£ Difference
Nursery	£1.259m	£1.347m	- £0.088m
Primary	£6.569m	£8.960m	- £2.391m
Secondary	£2.971m	- £2.400m	+ £5.371m
Special	£1.077m	£2.822m	- £1.745m
PRUs	£0.497m	£0.386m	+ £0.111m
Total	£12.373m	£11.115m	+ £1.258m

Please note that the net 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 2023, there are 9 fewer schools maintained by the Local Authority than at 31 March 2022 (6 primary; 2 secondary; 1 special). These schools combined held a net total of revenue balances of minus £4.151m (deficit) at 31 March 2022.

The table below gives an analysis of the balances positions by phase having removed the 'distorting' effect of the conversion of maintained schools to academies during 2022/23.

Details of the Item for Consideration

	March 2023	March 2022	Difference
Nursery	£1.259m	£1.347m	- £0.088m
Primary	£6.569m	£8.215m	- £1.646m
Secondary	£2.971m	£3.162m	- £0.191m
Special	£1.077m	£2.156m	- £1.079m
PRUs	£0.497m	£0.386m	+ £0.111m
Total	£12.373m	£15.266m	- £2.893m

The total net value of revenue balances that was held by maintained schools at the end of 2022/23 has reduced. However, within this, revenue balances have increased in 37% of our 75 maintained schools (28 schools). Correspondingly, revenue balances have decreased in 63% (47 schools).

The total gross value of deficits, held by 7 schools, at 31 March 2023 is £0.497m. This is + £0.442m more than the gross value of deficits that was held at 31 March 2022 (by schools that remain maintained at 31 March 2023). The larger absolute total gross value of deficits that was held at 31 March 2022, including schools that have since converted to academy during 2022/23, was explained in the majority part by the deficit held by one maintained secondary school. The substantial reduction in the absolute total value of deficits that are held at 31 March 2023 is explained with reference to the conversion of this school to academy status during 2022.

The total gross value of surpluses that is held at 31 March 2023, by 68 maintained schools, is £12.870m. This is £2.452m lower than the gross value of surpluses that was held at 31 March 2022 (by schools that remain maintained at 31 March 2023). The table below summarises the more medium term changes 2019-2023 in the total gross values of surplus balances that have been held by schools that were maintained at 31 March 2023.

	March 2019	March 2020	March 2021	March 2022	March 2023
Nursery	£0.652m	£1.024m	£1.432m	£1.402m	£1.325m
Primary	£6.088m	£6.191m	£9.640m	£8.216m	£7.000m
Secondary	£2.084m	£2.047m	£2.562m	£3.162m	£2.971m
Special	£0.478m	£0.720m	£2.047m	£2.156m	£1.077m
PRU	£0.098m	£0.128m	£0.265m	£0.386m	£0.497m
Total Value	£9.400m	£10.110m	£15.946m	£15.322m	£12.870m

The table at the top of the page presents the following picture at 31 March 2023, by phase:

- The total net value of balances held by maintained nursery schools has only slightly changed (reduced). The balances of 4 out of 7 schools have increased. The balances of 3 schools have decreased. 1 nursery school held a deficit balance at 31 March 2023.
- The total net value of balances held by primary schools has decreased by 20%. 39 schools (64%) have decreased and 22 (36%) schools have increased their balances. 6 schools held deficits at 31 March 2023.
- The total net value of balances held by secondary schools has decreased by 6%. Within this, 2 of 4 schools have increased their balances and 2 of 4 have decreased their balances. No secondary schools held deficit balances at 31 March 2023.
- The total net value of balances held by special schools has decreased by 50%. Both of the 2 special schools decreased their balances due to agreed spending of March 2022 'excess' balances (balances held above the Surplus Balances Threshold) on agreed schemes. Neither of the 2 special schools held deficit balances at 31 March 2023.
- The total net value of balances held by the PRUs has increased. Only one PRU now has a delegated budget (with the Education in Hospital and Tracks provisions being managed centrally by the Authority).

The table below shows the number of maintained schools by phase by revenue balance held at 31 March 2023 as a % of funding:

	Nursery	Primary	Secondary	Special	PRUs
Deficit	1	6	0	0	0
Up to 1%	0	4	0	0	0
1% - 2%	1	3	0	0	0
2% - 4%	0	14	1	0	0
4% - 6%	0	12	0	0	0
6% - 8%	1	9	2	1	0
8% - 10%	0	7	0	1	0
10% - 20%	1	4	1	0	0
> 20%	3	2	0	0	1

Details of the Item for Consideration

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

	Median Mar 2023	Median Mar 2022	Change
Nursery	£80,766	£128,175	- £47,409
Primary	£88,339	£103,842	- £15,503
Secondary	£635,694	£884,113	- £248,419
Special	£538,741	£1,078,066	- £539,325
PRUs	£496,853	£385,977	+ £110,876
Total	£101,045	£116,794	- £15,749

Control of Surplus Balances Reporting

At March 2023, 31 (41%) maintained schools held balances above their Intended Use of Excess Balances Thresholds, with a total value of balances above these Thresholds of £4.93m. After legitimate adjustments, such as for balances held on behalf of other schools, ring-fenced grants and later notification of funding payments, 25 (33%) maintained schools held what the Authority's Surplus Balances Protocol defines to be an 'excess' balance, at a total value of £4.10m. 26 schools have returned schemes, with the total value of schemes adding up to £4.89m.

A breakdown of schemes by type is shown in the table below:

Type of Scheme	No. of Individual Schemes	Total Value of Schemes
1 Revenue Contribution to Capital Scheme	9	£0.916m
2 Revenue Contribution to Spend to Save	1	£0.253m
3 Contracts Review (including PFI)	0	£0.000m
4 Managing Places Expansion	2	£0.468m
5 Managing Financial Difficulties	9	£2.120m
6 Managing Exceptional Circumstances	11	£1.132m
Total	32	£4.889m

Schemes recorded under 'exceptional circumstances' include COVID-19 pandemic recovery activities, balances held by the maintained nursery schools to protect against the uncertainty of future formula funding, multi-year budget protection and support for the management of utilities costs increases.

9 of the 32 schemes have elements that are planned to be completed after 31 March 2024. All the 25 schools that held an excess balance at 31 March 2023, when the £3,000 leeway that is provided by the Protocol is applied, appear at this stage to have properly assigned the value of excess and therefore, there are currently no proposals for clawback.

Recommendations

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

List of Supporting Appendices / Papers (where applicable)

None

Contact Officer (name, telephone number and email address)

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