



Schools Forum

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Venue: Shrewsbury
Training and Development
Centre

Paper

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Public

School Balances as at March 2018

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Summary

This report analyses the actual levels of individual local authority maintained schools' balances at March 2018 and compares these with the previous year's position. It does not include the financial position of academies which are outside of the local authority's control.

Recommendation

This report provides information on the actual levels of individual local authority maintained schools' balances as at 31 March 2018, including the movement in balances from the end of the previous financial year, for information only.

Schools Forum's views are sought on approaches for preventing schools transferring to academy status under a sponsored arrangement from overspending and leaving a deficit balance behind with the local authority.

REPORT

Background

1. Schools' surplus balances at the end of each financial year are carried forward and earmarked specifically for each individual school's use.
2. Deficit balances are also carried forward and set against the individual school's budget for the following year except where a school becomes a sponsored academy. In these instances, any deficit remains with the local authority. Any school planning a deficit budget is required to agree a licensed deficit arrangement with the local authority stipulating how and when the school will move out of a deficit position.

3. All such requirements are contained within Shropshire's approved Scheme for the Financing of Schools. The Scheme includes a schools' balance control mechanism, as agreed by Schools Forum, which requests the local authority report on, control and claw-back, where appropriate, schools' excessive surplus balances. This is a mechanism to remove excessive balances from schools where they cannot demonstrate that they are properly assigned. Any such claw-back of balances is recycled within Shropshire's overall Schools' Budget.

Actual levels of schools' balances as at 31 March 2018

4. The overall level of school balances held by maintained schools in Shropshire has reduced over the last financial year by £1,276,014 (20%) to a total balance of £5,000,990. This overall reduction reflects reduced balances of £782,583 (12%) relating to 2017-18 academy convertors and £493,431 (8%) relating to maintained schools as at 31 March 2018.
5. A confidential appendix setting out detailed school by school information on the levels of individual schools' balances will be tabled at the meeting. The data in the confidential appendix is presented in order of percentage size of balance compared to the total school revenue funding, as used in the control on balances mechanism.
6. A summary is given in the table below:

	March 17 Number of Schools	Balance March 2017 £	March 18 Number of Schools	Balance March 2018 £	Variance	
					£	%
Primary Schools						
In Deficit	4	-8,495	5	-20,281	-11,786	139%
In Surplus	108	5,976,338	94	4,604,924	-1,371,414	-23%
Net Total	112	5,967,843	99	4,584,643	-1,383,200	-23%
Secondary (inc All-Through) Schools						
In Deficit	2	-482,689	1	-431,153	51,536	-11%
In Surplus	5	789,799	5	776,567	-13,232	-2%
Net Total	7	307,110	6	345,414	38,304	12%
Special Schools						
In Deficit	1	-11,375	1	-29,160	-17,785	156%
In Surplus	1	13,426	1	100,093	86,667	646%
Net Total	2	2,051	2	70,933	68,882	3358%
All Schools						
In Deficit	7	-502,559	7	-480,594	-1,297,979	-4%
In Surplus	114	6,779,563	100	5,481,584	21,965	-19%
Net Total	121	6,277,004	107	5,000,990	-1,276,014	-20%

7. During the financial year 2017-18, one secondary school and 11 primary schools transferred to academy status. In addition three primary schools amalgamated

into a single school. This takes the total number of Shropshire maintained schools from 121 at March 2017 to 107 at March 2018.

Surplus Balances

8. Overall surplus balances have reduced by £1,297,979 (19%) during the year, this follows a 16% reduction to overall surplus balances in the previous year. The reduction in overall surplus balances in 2017-18 relates to the primary and secondary sectors only and includes the balances relating to in-year academy converters.
9. Primary school surplus balances reduced by £1,371,414 (23%) and secondary school surplus balances reduced by £13,232 (2%) over the year. Conversely, special school surplus balances (relating to one school) have increased by £86,667 (646%) over the year.

Deficit Balances

10. Overall deficit balances have reduced by £21,965 (4%), this follows a 43% reduction to deficit balances in the previous year. Deficit balances have reduced in the secondary sector but increased in the primary and special sectors.
11. Primary school deficit balances increased overall by £11,786 (139%) over the 2017-18 financial year. The number of primary schools in deficit increased from four to five. Of the four schools in deficit at March 2017, two fully repaid their deficits in 2018-19, one remains in deficit and one converted to academy under a sponsored arrangement and through agreement with the Academy Trust, took their deficit balance with them.
12. Of the five primary schools in deficit at March 2018, one remained in deficit from the previous year and the others all moved into a deficit position during the year. None of the schools had a licensed deficit agreement with the local authority. One of these converted to an academy on the 1 April 2018 and will take their deficit balance with them. Appropriate action is being taken with the remaining four maintained primary schools with unlicensed deficits.
13. Secondary school deficit balances reduced overall by £51,536 (11%) over the year. Of the two secondary schools in deficit at March 2017, one moved into a surplus position during the year and the one remaining secondary school with a deficit balance reduced their deficit marginally.
14. Special school deficit balances increased from £11,375 to £29,160 during the year. This relates to one special school. The school does not have a licensed deficit agreement with the local authority. Local authority officers are working with the school to achieve a balanced and sustainable future budget position.
15. The local authority continues to require schools with deficit balances to report their financial position to the local authority on a termly basis. Termly monitoring meetings are held between the local authority's School Funding Policy Officer and the schools where appropriate. As and when necessary, headteachers, school business managers and chairs of governors/chairs of finance are called in to meetings with the Commissioner for Education Improvement and Efficiency.

Balances of schools converting to academy status under a sponsored arrangement

16. As Schools Forum members are aware, regulations allow schools transferring to academy status under a sponsored arrangement to leave any deficit balance at the point of conversion with the local authority. As a result of this the local authority has tightened procedures for allowing licensed deficits and only allow a school to set a licensed deficit budget in very exceptional circumstances. The local authority makes it clear to schools becoming sponsored academies that a deficit balance at the point of conversion will not be acceptable and require the school to provide financial monitoring information to the point of conversion demonstrating a balanced budget position, to the local authority on a monthly basis.
17. However despite these measures a recent school converting to an academy under a sponsored arrangement overspent just before converting and, at the point of closing their accounts as a maintained school, were in a deficit financial position. On this occasion due to the circumstances of the overspend and a positive working relationship between the local authority and the Academy Trust, the Academy Trust agreed to pick up the deficit balance.
18. There is a risk to the local authority of this situation happening again. To prevent or limit the potential cost to the local authority's budget, regulations allow local authorities to withdraw financial delegation from a school before they transfer to academy status under a sponsored arrangement. The local authority may need to resort to this measure to avoid this situation happening again. This clearly has resource implications for the local authority. Schools Forum's views are welcomed.