



Schools Forum

Date: 17 June 2021

Time: 8:30 a.m.

Venue: Microsoft TEAMS meeting

Paper

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Public

School Balances as at March 2021

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Summary

This report analyses the actual levels of individual local authority maintained schools' balances as at 31 March 2021 and compares these with the previous year's position.

Recommendation

This report is for information only.

REPORT

Background

1. Shropshire maintained schools' surplus balances at the end of each financial year are carried forward and earmarked specifically for each individual school's use. Multi academy trusts will have their own arrangements for the treatment of individual academy balances.
2. Deficit balances of Shropshire maintained schools are also carried forward and set against the individual school's budget for the following year. Any maintained 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. Academies in a similar position will make arrangements with the Education and Skills Funding Agency (ESFA).

3. All such requirements for Shropshire maintained schools are contained within Shropshire's approved Scheme for the Financing of Schools (available on the Shropshire Council website at <https://shropshire.gov.uk/media/7107/scheme-for-the-financing-of-schools.pdf>). Whilst Shropshire's Scheme no longer includes a schools' balance control mechanism, maintained schools holding an excessive surplus balance will be required to provide a clear plan of how it will be used to benefit pupils.

Actual levels of maintained schools' balances as at 31 March 2021

4. The overall level of school balances held by maintained schools in Shropshire has increased over the last financial year by £2.332m (78%) to a total balance of £5,332,962.

Appendix A setting out detailed school by school information on the levels of individual schools' balances will be presented at the meeting. This year due to the meeting being recorded on TEAMS and the confidential nature of the Appendix, the schools have been anonymised. The appendix is presented in order of percentage size of balance compared to the total school revenue funding.

5. A summary is given in the table below:

	March 2020 Number of Schools	Balance March 2020	March 2021 Number of Schools	Balance March 2021	Variance	
					£	£
Primary Schools						
In Deficit	4	-41,025	2	-10,203	30,822	-75%
In Surplus	81	3,509,888	82	5,567,677	2,057,789	59%
Net Total	85	3,468,863	84	5,557,474	2,088,611	60%
Secondary (inc All-Through) Schools						
In Deficit	1	-474,420	1	-437,621	36,800	-8%
In Surplus	0	0	0	0	0	0%
Net Total	1	-474,420	1	-437,621	36,800	-8%
Special Schools						
In Deficit	1	-202,304	1	--53,198	149,106	-74%
In Surplus	1	209,241	1	266,307	57,066	27%
Net Total	2	6,937	2	266,307	259,370	2972%
All Schools						
In Deficit	6	-717,749	4	-501,022	216,727	-30%
In Surplus	82	3,719,129	83	5,833,984	2,114,855	57%
Net Total	88	3,001,380	87	5,332,962	2,331,582	78%

6. During the financial year 2020-21, one primary school transferred to academy status taking the total number of Shropshire maintained schools from 88 at March 2020 to 87 at March 2021.

Maintained Schools Surplus Balances

7. Overall surplus balances have increased by £2.11m (57%) during the year, in contrast to reductions to overall surplus balances in previous years. The increase in overall surplus balances in 2020-21 relates to the primary, secondary and special school sectors and includes the balances relating to the one in-year academy convertor.
8. Primary school surplus balances increased by £2.06m (59%), there are no secondary school surplus balances and special school surplus balances increased by £57,066 (27%) over the year.

Maintained School Deficit Balances

9. Overall deficit balances have decreased by £216,727 (-30%), in contrast to a 30% increase in deficit balances in the previous year. Deficit balances have decreased in all sectors: secondary, primary and special.
10. Primary school deficit balances decreased by £30,822 (-75%) over the 2020-21 financial year. The number of primary schools in deficit reduced to two (schools new to deficit) but of the four schools in deficit at March 2020, all four fully repaid their deficits in 2020-21.
11. Of the two primary schools in deficit at March 2021, both moved into a deficit position during the year. None of the schools had a licensed deficit agreement with the local authority. Appropriate support and challenge are being taken with these schools to ensure the unlicensed deficit positions are fully addressed in 2021-22.
12. Secondary school deficit balances decreased overall by £36,799 (-8%) over the year. This relates to one secondary school.
13. Special school deficit balances decreased by £149,106 (-74%) over the year. This relates to one special school. Following this school's licensed deficit agreement for the last two years, the local authority has worked closely with the school that has seen the deficit significantly reduced during 2020-21. The school converted to an academy on 1 April 2021 and it is expected that the deficit will reduce significantly further once all the closedown figures have been finalised.
14. Termly financial monitoring meetings will be held between the local authority and the schools with year end deficit balances where appropriate. As and when necessary, headteachers, school business managers and chairs of governors/chairs of finance will be called in to meetings with the Principal Education Improvement Adviser to discuss the budget position at the school.

Schemes for financing local authority maintained schools

15. The Department for Education has updated the statutory guidance on Scheme for the Financing Schools. The changes include the requirement for maintained schools to submit a 3-year budget forecast each year, and the directive for schools which have a deficit of over 5% to submit a recovery plan to the local authority.
16. Local authorities are required to consider the extent to which such forecasts may be used for more than just confirming schools are undertaking effective financial planning or not. For instance, they could be used as evidence to support the local authority's assessment of school financial value standards or used in support of the authority's balance control mechanism.
17. Local authorities must inform schools of the purposes for which they intend to use these 3-year budget forecasts.
18. An updated of the Shropshire Scheme for the Financing of Schools will be presented for Schools Forum's consideration and comment in the Autumn term.