

City of Wolverhampton Council

SCHOOLS' FORUM

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Report title	Surplus and Deficit Budget Monitoring
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Summary

This is a report to update Members of Schools' Forum on the Local Authority processes of monitoring schools having or forecasting a deficit balance; and schools carrying excess surplus balances; and to inform them of the requirement to spend Devolved Formula Capital (DFC) within the prescribed timeframe, and to note the balances held within Wolverhampton maintained schools.

Decision

Members of the Schools' Forum are recommended to:

1. Note the undertakings of the Schools at Financial Risk (SFR) group (formerly Schools Under Notice of Concern);
2. Note the monitoring and reporting methodology;
3. Note the DFC balances held in schools at 31 August 2020

*Schedule of background papers

*If links do not work immediately, please copy and paste into a different browser

Conditions Grant Spend Guidance

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879370/Condition_Spend_Guidance.pdf

School condition funding methodology for financial year 2020 to 2021 Explanatory note

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879328/Condition_funding_methodology_2020-21.pdf

1.0 Purpose

- 1.1 This report will update Forum members of the work currently being undertaken in relation to maintained schools having or predicted to have deficit balances, and with those that are carrying excess surplus balances.

Background/Process

- 2.1 This report outlines the processes followed by the Local Authority in the monitoring of potential deficit balances, including the desktop monitoring and Licensed Deficit application.
- 2.2 The Scheme for Financing Schools provides an option for the clawback of excess surplus balances subject to an arbitration panel. Any balances clawed back are redistributed to schools through a School Improvement bid process. This report will propose amendments to the current processes.

2.0 Monitoring of Deficit Balances

- 3.1 Schools are currently required to submit budget plans twice per year – original budget plans in May, with updated, revised Autumn term plans in October. Upon receipt of these plans, officers identify schools that are forecasting a deficit, and add them to a monitoring watchlist. The following table is a summary of the schools ending 2019-2020 with a deficit balance, and those reporting a future deficit in the May budget plans:

Number of schools reporting deficit balances				
School Phase (Number of LA schools)	2019-2020 Actual	2020-2021 Budget Plan	2021-2022 Budget Plan	2022-2023 Budget Plan
Nursery (7)	1	2	4	5
Primary (31)	0	1	3	6
Secondary (3)	2	1	1	1
Special (4)	0	0	0	1
PRU (3)	0	1	2	3
Total	3	5	10	16

At the time of writing, 10 schools had failed to submit budget plans:

- 2 Nursery Schools
- 5 Primary Schools
- 1 Secondary School
- 2 Special Schools
- 0 Pupil Referral Units

The plans submitted in May, are provisional in relation to future funding levels, since there are uncertainties that cannot be built into a budget plan. It is expected that the October plans will be more robust, though it is accepted that their remains continued uncertainties around future levels of funding.

3.2 Schools are expected to apply for a licensed deficit at the point that they anticipate their end of current year budget to be in a deficit position greater than £10,000. The following table illustrates the value of the deficit position for each phase of school.

Value of forecast deficit by end of 2020-2021 Financial Year					
School Phase	<£10,000	£10,000 - £100,000	£100,000 - £200,000	£200,000 - £500,000	>£500,000
Nursery	1	1	0	0	0
Primary	0	1	0	0	0
Secondary	0	0	0	0	1
Special	0	0	0	0	0
PRU	0	1	0	0	0
Total	1	3	0	0	1

1 of the schools included in the above figures is currently operating within a licensed deficit scheme.

4.0 Monitoring of Excess Surplus Balances

4.1 A school's right to carry forward surplus balances is covered in Section 4 of the Scheme for Financing Schools. Section 4.2 states:

'The Authority, under arrangements approved by the Schools' Forum, will recover excessive surplus balances from individual schools that are unsupported by specific proposals for their use. Any such amounts recovered will be redistributed across the appropriate local area under arrangements approved by Schools' Forum.'

4.2 Current arrangements are that schools with an existing surplus are expected to submit updated plans in July, and those with new surplus balances submit plans in October. These plans are reviewed by Local Authority officers, and headteachers are invited to further explain their plans at meetings held through the Autumn term. Where it is deemed necessary, an arbitration panel is held where a final decision is made about any clawback of funding at the end of the financial year.

4.3 The following table illustrates the number of schools that held excess surplus balances at the end of 2019-2020 financial year.

Number of Schools and Total Value of Excess Surplus Balances 2019-2020			
School Phase	Total Balance £000	Schools with Excess Surplus	Total Excess Surplus Balance £000
Nursery	1,211	5	954
Primary	4,565	13	1,180
Secondary	(1,547)	0	0
Special	1,100	3	387
PRU	914	3	609
Total	6,243	24	3,130

4.4 The processes of monitoring of excess surplus balances, capital balances and deficit recoveries are streamlined to enable more robust challenge and to mitigate the risk to the Local Authority. The timetable in Appendix 1 illustrates the reporting and monitoring cycle.

5.0 Devolved Formula Capital (DFC)

5.1 Devolved Formula Capital (DFC) grant was introduced in 2000-2001 with the aim of allowing schools to target capital funding at their own capital priorities (including ICT).

5.2 Each school receives an allocation which is driven by a formula, based on a lump sum, supported by a per pupil amount derived from the previous year's January census. The pupil rate is based on the type of school, rather than the individual pupil (ie, a pupil in an SEN resource unit in a primary / secondary school, will be allocated the appropriate primary / secondary rate, **not** the Special rate).

For 2020-21, the allocations were calculated using the January 2019 census data:

School Provision Type	Lump Sum	Non-boarding pupil rate
Nursery / Primary	£4,000	£11.25
Secondary	£4,000	£16.88
Post-16	£4,000	£22.50
Special / PRU	£4,000	£33.75

The funding is paid to the Local Authority, and is transferred to the Schools Budget, based on the individual school allocation advised the Education and Skills Funding Agency (ESFA). The above rates have remained the same since 2011-2012 and are fixed by the ESFA.

5.3 The exception to this, is for Voluntary Aided schools, where the funding is paid to the appropriate Diocese, and is adjusted for the VAT implications.

6.0 DFC Grant Terms

6.1 The general condition of the grants is that it is used for capital purposes, such as:

- structural improvements to buildings, fixtures and fittings;
- the purchase of capital equipment, including ICT; and/or
- other long-term improvement to the school estate.

6.2 Schools are expected to make best use of DFC as soon as it is received, but may choose to set aside their annual allocations up to three years to fund medium sized projects.

6.3 No school can enter a deficit position with DFC, though it may, at the Local Authority's discretion be permitted to borrow grant forward from future years' funding. This is only permissible where future years' funding levels have been confirmed.

6.4 At present the current reporting mechanism allows for Local Authorities to extend this time limit to the end of August, to allow for local priorities. However, this cannot be guaranteed for future years, as the terms specifically refer to 3 years in the current guidance. The following table illustrates how the grant may be retained and rolled over for its 3-year lifespan.

Year of allocation	Allowable retention/ rollover					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
2017-18	Yes	Yes	Yes	To End August 2020	Expired	Expired
2018-19		Yes	Yes	Yes	To end August 2021	Expired
2019-20			Yes	Yes	Yes	To end August 2022
2020-21				Yes	Yes	Yes

7.0 School DFC Balances

The report in Appendix 2 illustrates the balances held in Wolverhampton schools, as at 31 March 2019, 31 March 2020 and expenditure to 31 August 2020.

7.1 13 schools are carrying balances of DFC that had expired as at 31 August 2020. This is a reduction from 22 reported last year. The balances are analysed in the following tables:

7.3 Number of schools by phase and expired balance:

School Phase	Expired Balance	Expired Balance	Expired Balance	Total
	<£1,000	>£1,000 and <£10,000	>£10,000	
Nursery	0	2	2	4
Primary	0	5	2	7
Secondary	0	1	0	1
PRU	0	0	0	0
Special	0	0	1	1
Total	0	8	5	13

7.4 Number of schools with remaining balances by year of allocation

School Phase	2019-2020 Allocation Expires 31/08/2022	2018-19 Allocation Expires 31/08/2021	2017-18 Allocation Expires 31/08/2020	2016-17 Allocation Expired 31/08/2019	Older
Nursery	7	6	7	5	5
Primary	30	29	16	12	4
Secondary	2	2	1	0	0
PRU	3	0	3	3	3
Special	4	4	3	2	1
Total	46	41	30	22	13

8.0 DFC Local Authority Reporting

8.1 As part of its annual reporting cycle to the ESFA, the Local Authority are expected to provide an explanation of the DFC balances, and their planned usage.

8.2 Reporting is carried out at a Local Authority level, which enables us to allocate the total remaining balances across the funding years, as follows:

	2020-21	2019-20	2018-19
	(£)	(£)	(£)
Allocation	358,852	354,844	975,872
Remaining Balance	358,852	137,243	440,064

8.3 Unless the reporting methodology changes, this combined balance method of reporting results in no underspend being reported to the ESFA for 2020-2021, as the low balances at some schools masked the higher balances at others.

8.4 The Local Authority have no right to claw DFC funds from schools retaining expired balances. However, individual school balances are reported to the DfE through the Consistent Financial Reporting (CFR) framework and high levels of underspend may invite further scrutiny from the ESFA, who may claw back excess balances from individual schools.

8.5 The Local Authority will continue to make requests from schools holding surplus capital balances for the intended use of this grant by way of annual returns.

Surplus and Deficit Balance Monitoring

Month	School Report/ Action	LA Action	Purpose and Comments
May	Initial 3 year budget plan submitted	Collate responses and review areas of concern	No change from existing process
July (end of Summer Term)	<ul style="list-style-type: none"> •Plans for Excess Surplus Balances (both new and existing) •Plans for expired Devolved Formula Capital •Submit application for a Licensed Deficit (where a deficit greater than £10,000 occurred in the previous year but was not in the school's budget plan) 	Collate responses	All excess surplus plans to be submitted at the same time (remove the October submission), and the capital balances will be incorporated into the same template to simplify and improve transparency within the process
September		<ul style="list-style-type: none"> • Update capital balances for expenditure to end of August; Compare to capital plans submitted by schools • Prepare and submit new licensed deficit applications for approval 	<ul style="list-style-type: none"> • To ensure that planned expenditure has taken place and to prepare the DfE return on Devolved Formula Capital balances.
October (ahead of half term)	Revised 3 year budget plans submitted	<ul style="list-style-type: none"> • Desktop Review of surplus balance plans – held by finance and operational officers. Agreed outcomes: <ul style="list-style-type: none"> - No further action - Meeting with headteacher Desktop Review of budget plans with new deficit outturns in current year. Outcome for all schools is a headteacher meeting with LA officers. • Challenge schools with unspent devolved formula capital. 	<ul style="list-style-type: none"> • To review plans submitted for robustness and consistency, and to ensure that actions identified in previous rounds have been carried out. • To scrutinise budget plans for accuracy. • To ensure that accurate reporting is made to the ESFA

Month	School Report/ Action	LA Action	Purpose and Comments
November	Headteacher attend meeting with LA officers	<ul style="list-style-type: none"> • Hear supporting information from the schools, raise additional questions and/ or challenge to the plans. Agree outcomes of the meetings for surplus balances: <ul style="list-style-type: none"> - No further action - Monitoring visit - Progress to arbitration Agree outcomes of the meetings for forecast deficits (by end of Autumn term): <ul style="list-style-type: none"> - School to prepare revised budget plan - School to submit application for licensed deficit • Licensed Deficit (July submissions) approvals to be issued, along with individual terms and conditions 	This meeting gives the headteacher (who may be accompanied by finance staff and/ or governors as required) the chance to add further detail to the plans submitted, and LA officers the opportunity to raise questions and challenges.
December	<ul style="list-style-type: none"> • Submit application for Licensed Deficit – if forecasting a deficit by end of financial year • Submit revised budget plan – if instructed following November meetings 	<ul style="list-style-type: none"> • Inform schools of outcomes of LA Officer meetings and dates of arbitration panel (if required). 	Revised date from Scheme for Financing Schools (currently July)
January	<ul style="list-style-type: none"> • Attend arbitration panel 	<ul style="list-style-type: none"> • Hold arbitration panel meetings. Agreed outcomes: <ul style="list-style-type: none"> - No further action - Clawback funds at end of financial year 	Panel to be made up of a combination of Senior LA officers, headteacher and a governor.
January/ February		<ul style="list-style-type: none"> • Preparation of Licensed Deficit approval requests 	
February		<ul style="list-style-type: none"> • Outcomes of arbitration panel notified to affected schools 	
February/ March		<ul style="list-style-type: none"> • Monitoring visits to take place at schools identified through desktop review. 	

Month	School Report/ Action	LA Action	Purpose and Comments
May		<ul style="list-style-type: none"> • Submit requests for Licensed Deficit approval based on actual outturn 	Licensed Deficit applications have to be approved by the Chief Finance Officer, the Director of Children's Services and the associated cabinet members before being granted to a school.
July	See above	See above <ul style="list-style-type: none"> • Report outcomes of monitoring visits. • Licensed Deficit approvals issued to schools with individual terms and conditions 	
September	See above	See above <ul style="list-style-type: none"> • Additional monitoring visits to take place 	
October		See above <ul style="list-style-type: none"> • As part of the desktop review – any school, that has not demonstrated sufficient progress with their plans (year on year) will automatically progress to arbitration panel 	Please note the automatic progression to arbitration panel, which is a new amendment

Devolved Formula Capital (DFC) Balances per School

	Balance at	Balance at	Expenditure to	Balance at	Balance by allocation year							
	31.03.2019	31.03.2020	31.08.2019	31.08.2019	Year Expiry	2019-20 31/08/2022	2018-19 31/08/2021	2017-18 31/08/2020	2016-17 31/08/2019	2015-16 31/08/2018	Older	Expired Balance
G11012 Bantock Primary School	16,443.46	1,301.41	1,463.30	23,497.91		1,301.41	14,982.16	-	-	-	-	-
G11007 Bilston Church of England Primary School	36,716.89	45,081.89	0.00	45,081.89		45,081.89	22,692.70	7,217.30	6,806.69	-	-	14,024.19
G11018 Bushbury Hill Primary School	18,177.73	11,405.23	18,613.73	25,314.23		11,405.23	18,177.73	-	-	-	-	-
G10965 Castlecroft Primary School	22,768.52	780.86	7,548.36	14,768.52		780.86	14,768.52	-	-	-	-	-
G10957 Christ Church (Church of England) Junior School	11,700.28	10,002.03	15,067.53	11,700.28		10,002.03	11,700.28	-	-	-	-	-
G10952 Christ Church (Tettenhall Wood) Infant School	14,384.85	14,342.20	20,039.45	13,065.85		14,342.20	13,065.85	-	-	-	-	-
G10966 Claregate Primary School	50,724.93	41,123.93	49,718.18	37,348.93		41,123.93	24,337.34	8,374.00	4,617.39	-	-	12,991.39
G11003 Dovecotes Primary School	19,451.40	3,326.36	7,803.36	19,451.40		3,326.36	18,886.57	364.83	-	-	-	364.83
G10969 Eastfield Primary School	23,854.09	11,041.80	19,710.55	23,854.09		11,041.80	22,649.35	1,204.74	-	-	-	1,204.74
G11014 Fallings Park Primary School	47,843.27	7,393.78	18,528.53	33,308.27		7,393.78	30,591.07	2,717.20	-	-	-	2,717.20
G10971 Griseley Primary School	30,118.40	30,731.16	37,226.16	24,197.41		30,731.16	16,866.46	6,344.73	786.20	-	-	7,330.93
G10973 Lanesfield Primary School	21,707.03	7,723.93	16,630.58	21,707.03		7,723.93	21,707.03	-	-	-	-	-
G10974 Long Knowle Primary School	29,807.53	29,280.97	24,737.47	29,807.53		29,280.97	16,970.50	6,342.30	6,294.33	-	-	12,837.03
G10975 Loxdale Primary School	33,188.04	34,995.34	42,395.34	33,188.04		34,995.34	19,614.85	6,907.00	6,666.19	-	-	13,373.19
G10977 Merriale Primary School	14,246.70	16,052.45	22,727.70	10,546.70		16,052.45	10,546.70	-	-	-	-	-
G10978 Oak Meadow Primary School	69,832.48	1.34	8,692.39	53,201.34		1.34	23,120.30	8,691.23	8,336.23	8,489.00	2,344.34	28,081.04
G11016 Rakegate Primary School	21,346.87	1,044.97	10,031.22	9,504.87		1,044.97	9,504.87	-	-	-	-	-
G11013 St Andrews Church of England Primary School	37,332.24	38,905.49	47,886.99	37,532.24		38,905.49	23,102.96	8,327.00	3,902.28	-	-	12,429.28
G10953 Springdale Primary School (*Includes Infant - merged)	26,157.67	33,384.42	44,581.92	26,157.67		33,384.42	-	6,303.80	6,336.00	6,678.00	6,419.87	26,157.67
G10982 Springvale Primary School	23,787.98	15,430.47	6,720.97	23,787.98		15,430.47	16,944.49	6,392.00	231.49	-	-	6,843.49
G11021 Stowheath Primary School	40,492.72	22,921.22	32,096.22	40,492.72		22,921.22	27,062.38	9,231.30	4,178.84	-	-	13,430.34
G10983 Stowlawn Primary School	42,696.53	26,232.21	33,379.96	42,696.53		26,232.21	18,097.60	6,895.73	6,731.73	6,343.00	4,408.43	24,398.93
G10954 Uplands Junior School	20,397.16	28,627.16	36,947.16	20,397.16		28,627.16	20,397.16	-	-	-	-	-
G10949 Westacre Infant School	86,642.28	7,410.33	14,380.38	9,134.96		7,410.33	9,134.96	-	-	-	-	-
G11008 West Park Primary School	8,893.13	2,388.38	10,028.63	8,893.13		2,388.38	8,893.13	-	-	-	-	-
G10955 Whitgreave Primary School	18,279.87	0.00	8,831.00	0.00		-	-	-	-	-	-	-
G10985 Wilkinson Primary School	87,334.48	37,089.70	62,335.20	18,279.87		37,089.70	18,279.87	8,833.23	8,630.73	8,331.00	8,331.00	34,166.00
G11001 Wodensfield Primary School	27,133.11	9,994.61	19,286.61	78,924.48		9,994.61	26,472.82	-	-	-	-	-
G10986 Wood End Primary School	20,091.39	12,720.99	19,443.49	10,133.11		12,720.99	10,133.11	2,886.80	-	-	-	2,886.80
G11000 Warstones Primary School	40,737.32	19,222.46	24,331.18	20,091.39		19,222.46	17,204.39	-	-	-	-	-
Primary Schools Total	962,930.55	542,181.29	681,884.16	24,882.52		542,181.29	309,925.33	98,273.87	64,018.36	30,041.00	21,303.84	213,837.27

G10958	Ashmore Park Nursery	59,993.65	38,998.15	0.00	64,601.15	9,340.90	4,567.00	4,506.25	4,439.00	4,439.00	32,701.50	46,085.75
G10964	Bilston Nursery	30,271.81	0.00	0.00	35,500.31	10,572.04	5,012.50	4,985.50	4,484.00	4,484.00	733.77	14,687.27
G10959	Bushbury Nursery	20,812.05	10,626.60	-1,216.05	26,734.60	9,444.94	4,607.50	4,596.25	3,379.41	-	-	7,975.66
G10960	Eastfield Nursery	28,507.40	25,449.13	0.00	33,681.90	10,537.36	4,884.25	5,046.25	4,512.00	3,527.54	-	13,085.79
G10961	Low Hill Nursery	11,231.83	16,884.38	-622.25	16,884.58	10,389.97	1,464.11	-	-	-	-	-
G10962	Phoenix Nursery	11,676.10	14,943.35	0.00	16,074.35	8,621.00	3,055.10	-	-	-	-	-
G10963	Windsor Nursery	26,948.52	14,653.04	733.34	30,773.43	9,184.84	4,600.75	4,594.00	4,444.00	3,371.59	-	12,409.39
Nursery Schools Total		189,441.36	121,554.85	-1,084.96	224,250.32	68,091.05	28,191.21	23,728.25	21,258.41	15,822.13	33,435.27	94,244.06
G11026	Colton Hills Community School	48,277.30	68,961.05	-	68,961.05	48,277.30	-	-	-	-	-	-
G11028	St Matthias School	42,704.55	57,369.55	-	57,369.55	42,373.60	330.95	-	-	-	-	-
Secondary Schools Total		90,981.85	126,330.60	0.00	126,330.60	90,650.90	330.95	0.00	0.00	0.00	0.00	0.00
G11022	Pupil Referral Units - Orchard Centre	64,717.75	0	-	56,355.50	8,742.50	4,236.25	4,270.00	4,371.00	4,371.00	38,727.00	51,739.00
G11024	Pupil Referral Units - Braybrook Centre	54,558.17	0	-	59,098.17	8,472.50	4,202.50	4,067.50	4,101.00	4,101.00	29,613.67	41,883.17
G11025	Pupil Referral Units - Mid Point	23,282.40	0	-	28,362.40	10,641.40	4,540.00	4,303.75	3,797.25	-	-	8,101.00
PRUs Total		142,558.32	0.00	0.00	143,816.07	27,856.40	12,978.75	12,641.25	12,269.25	8,472.00	68,340.67	101,723.17
G11036	Green Park Special School	35,803.94	27,400.87	3,994.00	40,071.19	23,204.23	8,029.75	577.96	-	-	-	577.96
G11037	Penn Fields Special School	101,466.60	105,735.15	-	115,998.27	27,547.90	9,265.00	9,366.25	9,434.00	9,434.00	36,419.45	64,653.70
G11038	Penn Hall Special School	23,796.04	16,156.56	-	30,550.04	17,742.13	6,053.91	-	-	-	-	-
G11040	Tettenhall Wood Special School	20,543.02	17,291.27	5,500.00	22,791.27	15,045.02	-	-	-	-	-	-
Special Schools Total		181,613.60	166,583.85	4,227.33	209,410.77	83,539.28	23,348.66	9,944.21	9,434.00	9,434.00	36,419.45	65,231.66
TOTAL		1,567,525.68	1,567,525.68	204,408.79	1,363,116.89	804,945.50	163,123.44	110,332.27	73,002.66	55,231.97	156,481.05	395,047.95