

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 note the balances held within Wolverhampton maintained schools as of 31 March 2022.

Decision

Members of the Schools' Forum are asked to:

1. Note the level of balances in maintained schools as at 31 March 2022.
2. Note the approach to challenging schools around the level of their balances and their plans for those resources.
3. Note the monitoring and reporting methodology.

Schedule of background papers (If applicable)

1. [Scheme for Financing of Schools January 2019.](#)

1.0 Purpose

- 1.1 This report will update Schools' 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.

2.0 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.

3.0 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 2021-2022 with a deficit balance, and those reporting a future deficit in the May budget plans:

School Phase (Number of LA schools)	2021-22 Actual	2022-23 Budget Plan	2023-2024 Budget Plan	2024-2025 Budget Plan
Nursery (7)	2	2	3	4
Primary (34)	1	0	3	17
Secondary (3)	1	1	1	1
Special (4)	0	0	0	1
PRU (3)	0	0	3	3
Total	4	3	10	26

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 continued uncertainties remain 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 2022-23 Financial Year					
School Phase	<£10,000	£10,000 - £100,000	£100,000 - £200,000	£200,000 - £500,000	>£500,000
Nursery	0	2	0	0	0
Primary	0	0	0	0	0
Secondary	0	0	1	0	0
Special	0	0	0	0	0
PRU	0	0	0	0	0
Total	0	2	1	0	0

Two of the schools included in the above figures are 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 2021-2022 financial year:

Number of Schools and Total Value of Excess Surplus Balances 2021-2022					
School Phase	Total Opening Balance 2021-2022	Total Closing Balance 2021-2022	Total number of Schools	Schools with Excess Surplus	Total Excess Surplus Balance
	£000	£000			£000
Nursery	1,287	1,202	7	5	1,005
Primary	8,439	9,050	34	29	4,627
Secondary	285	2,523	3	2	1,983
Special	2,155	2,239	4	3	1,251
PRU	1,097	601	3	2	335
Total	13,263	15,615	51	41	9,201

4.4 The processes of monitoring of excess surplus balances, capital balances and deficit recoveries will be reviewed in line with previous plans and will be reported back to Schools' Forum in a timely manner.