

City of Wolverhampton Council

SCHOOLS FORUM

Agenda Item: 6

Date	5 July 2018
Report title	INDIVIDUAL SCHOOL BALANCES 2017-2018
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Summary

This is a report to update members of the Schools Forum on the level of balances held by schools as at 31 March 2018 and to inform Forum about the challenge to schools with high balances.

Decision

Members of forum are asked to:

1. Note the level of balances in maintained schools at 31 March 2018.
2. Note the approach to challenging schools around the level of their balances and their plans for those resources.
3. Agree to receive further updates on the progress and actions agreed with schools.

Schedule of background papers (If applicable)

1. Schools Forum report – School Balances 2016 -17 (6 July 2017)
2. Scheme for Financing of Schools June 2016.

1.0 Purpose

- 1.1 This report will update Forum on the level of balances held by schools as at 31 March 2018 with specific focus on those schools that are maintaining high balances and those with deficits. Whilst schools have a right to plan the use of their resources over the medium term and maintain balances, as champions of school improvement the Council has a responsibility to ensure that schools are using the resources delegated to them to best effect. Since 2012 the DfE has been challenging Councils where significant balances have been held for a long period of time. Since 2016, the Local Authority have also been challenged regarding the balances of schools that had remained above 15% of revenue funding for more than five years.

2.0 Background

- 2.1 A school's right to carry forward surplus balances is covered in Section 4 of the Wolverhampton Scheme for Financing Schools. Section 4.1 states that
'Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year'
- 2.2 Where a school is in deficit over £10,000, or its financial planning information suggests that it will be in deficit, the school is required to submit an application seeking the approval of the Council.
- 2.3 Up to March 2010, all councils were required to have a balance control mechanism that enabled them to claw back uncommitted balances in excess of 5% for secondary school and 8% for primary schools and special schools.
- 2.4 DfE guidance issued in December 2010 stated that Councils should consider removing or relaxing their balance control mechanisms.
- 2.5 Following consultation the local 'Scheme for financing schools' was updated in September 2011 as follows:
- The Authority was entitled to request information on the proposed use of surplus balances from any school where surplus balances exceed 8% of the following year's budget share for primary and special schools and by 5% for secondary schools for two consecutive years or in other circumstances where, in the view of the Authority, the level of surplus balances may be cause for concern'.*
 - b) There is an option for claw back of school's balances subject to an arbitration process. Any decision would be made by a panel comprising:
 - a) Governor nominated by the Schools Forum
 - b) Head teacher nominated by the Wolverhampton Schools' Improvement Partnership (WSIP) or subsequent successor
 - c) The Director of Education or his/her nominated representative

d) The Chief Financial Officer or his/her nominated representatives.

Any balances clawed back must be redistributed amongst schools in the local area.

2.6 Again the Council will be reviewing those schools that meet the following criteria:

- Category A : Balances in excess of 15% for more than five years.
Category B : School has excess surplus balance but in 'Inadequate' or 'Requires Improvement' category at their last OFSTED.
Category C : Surplus balances for two consecutive years.

3.0 Schools balances 2017-2018

- 3.1 At the end of the 2017-2018 financial year, schools' revenue balances in schools in Local Authority control at 1st April 2017 stood at £6.3 million. This is a reduction of £1.7 million on the previous year's position for the same schools. Details of schools' individual balances can be found at **Appendix A**.
- 3.2 Within the city 5 schools have now had a balance over 15% of their income for five years meaning that the Local Authority is liable to further challenge from the DfE with regard to these schools.
- 3.3 The table below shows the trend of the numbers of schools that have balances over 15% and will prompt this challenge to the Council:

Year	No. of Schools	Phase
2011-2012	5	Primary
2012-2013	9	Primary
2013-2014	8	Primary
	3	Special
	2	Nursery
2014-2015	8	Primary
	3	Special
	2	Nursery
2015-2016	7	Primary
	2	Special
2016-2017	2	Primary
	1	Special
	1	Nursery
	1	PRU
2017-2018	2	Primary
	1	Special
	1	Nursery
	1	PRU

3.4 All schools that have surplus balances are asked to submit pro-forma with details of their intended use of the portion of their balance above 5% for secondary schools and 8% for other schools. Schools with pre-existing plans are required to submit these by 21 July 2017, and those with new excess surplus balances, by 5 October 2018.

3.5 For 2017-2018, the overall balance figures were as follows:

Sector	2016-2017			2017-2018		
	Total Balances £'000	Number of Schools with Excess Surplus Balances	Total Excess Surplus Balances £'000	Total Balances £'000	Number of Schools with Excess Surplus Balances	Total Excess Surplus Balances £'000
Secondary	(1,158)	0	0	(2,099)	0	0
Primary	4,697	21	1,467	3,463	11	540
Junior	440	3	203	552	2	291
Infant	236	3	46	116	1	3
Nursery	847	6	713	1,071	7	703
Special	1,348	3	621	955	2	418
PRUs	2,077	2	1,858	2,217	3	1,803
Total	8,487	38	4,908	8,487	26	3,758

The balances can be analysed across phases as follows:

Balance (£)	No of Schools				
	Secondary	Primary	Nursery	Special	PRUs
0-50,000	0	18	2	0	1
50-100,000	0	0	2	1	0
100-200,000	0	1	2	0	0
200-300,000	0	3	1	0	1
300-400,000	0	0	0	1	1
400,000+	0	1	0	0	1

Balances can also be analysed over schools with good to poor outcomes for their children as follows:

Balance (£)	No. of Schools	No. with Good/Outstanding Ofsted	No. judged as requiring improvement or inadequate
0 - 50,000	14	14	0
50 - 100,000	3	3	0
100 - 200,000	3	3	0
200 - 300,000	4	4	0
300 - 400,000	1	1	0
400,000+	1	1	0

3.5 Schools for additional discussion

In line with the process outlined above at paragraph 2.6 discussions will be held with 38 schools with excess surplus balances regarding plans for the use of those resources. The number of schools in each category is as follows:

Category	Detail	Number
A	Balances in excess of 15% for more than five years	5
B	School has excess surplus balance but in special measures or 'Requires Improvement' category at their last OFSTED	0
C	Surplus balances for two consecutive years	18

Schools were asked to submit budget plans setting out their projected spending plans and projected balances for 2017-2018. **During 2017-2018 schools projected balances of £2.4 million at the end of the financial year. Balances at the year-end were £3.9 million greater than forecast.**

3.6 Surplus balances returns

All schools with an excess surplus balance are required to submit a return setting out plans for the use of those reserves. The Council will also be using this information to advise schools outside the three focus categories. Previous years' returns have shown that plans typically centre around building developments and ICT procurement.

	Contribution to Building/ Capital (£'000)	Purchase of ICT (£'000)	Purchase of Fixtures/ Fittings (£'000)	Staffing Issues/ Single Status (£'000)	Other (£'000)	Total (£'000)
2010-2011	1,182	481	599	791	1,531	4,584
2011-2012	1,899	831	320	1,014	2,857	6,921
2012-2013	4,566	1,654	790	872	1,801	9,683
2013-2014	2,839	635	452	529	3,217	7,672
2014-2015	2,285	826	254	991	2,593	6,949
2015-2016	620	129	212	338	1,171	2,470
2016-2017	1,760	178	33	405	636	3,012

- 3.7 Officers from the Local Authority met with schools to challenge the planned use of surplus balances. As a result of these meetings, it was agreed that the plans submitted were robust enough, such that no schools were put forward to the arbitration panel, and no additional balances were clawed back.

Surplus balances returns will continue to be reviewed and clarification sought from schools as required.

Issues impacting on schools spending decisions

3.8 It is recognised that there are a number of issues affecting schools' spending and balance management decisions in the medium term. These can be summarised as:

- Impact of the National Funding Formula, that will begin to be reflected in schools funding settlements from 2018-2019, with incremental changes over the life of the current parliament.
- Increases in Salaries and subsequent on costs due to the lift on public sector pay caps.

4.0 Pupil Premium

4.1 This funding envelope was introduced in 2011-2012 and is funded £2.4 billion at a national level. Due to the levels of deprivation within the city, schools have attracted significant additional funding to support the outcomes for eligible pupils. The levels of funding attracted since the introduction of the premium is as follows:

	2012-2013 £	2013-2014 £	2014-2015 £	2015-2016 £	2016-2017 £	2017-2018 £
Rate						
per pupil (Pri)	623	953	1,300	1,320	1,320	1,320
per pupil (Sec)	623	900	935	935	935	935
Total (000's)	7,945	12,818	15,788	15,806	16,179	16,476

As part of the challenge to the schools in a balances category, particular attention will be paid to ensure that funds earmarked for pupil premium are being utilised in year and are not added to the balances that schools are holding.

5.0 Schools with Deficit balances

5.1 There are 7 maintained schools with deficit balances at the end of 2017-2018, of which:
5 are ongoing from 2016-2017 (4 increased deficit, and 1 reduced); and
2 are new deficits below £10,000.
2 schools converted to Academy status with combined deficit balances of £396,000
A further 2 schools moved out of deficit position during the year.

Name	Balance 2016-2017	Balance 2017-2018	Status
Pre-existing deficit balances			
Coppice	(207,491)	(430,249)	School with approved licensed deficit and a plan to recover the deficit within a 3-year time frame ending 2017-18. During the year, plans received from the school forecast an increased deficit of (800,000). Officers have worked closely with the school, to reduce the deficit to (430,249)

			ahead of the planned conversion to academy on 01 June 2018.
St Matthias	(861,280)	(1,243,939)	This was a new deficit in 2015-16, the local authority has met with the school around the deficit position and are now providing additional support to the school. The deficit has occurred as a result of various restructures undertaken to accelerate the improvement in standards in the school. A revised staffing structure is now in place and a licensed deficit is expected to be put in place for 4 years. A draft has been submitted by the school and is to be re-worked.
Dovecotes Primary	(19,394)	(21,283)	A new deficit for 2016 -17. A request for licensed deficit has been received and is currently under consideration.
Woodthorne	(203,521)	(78,689)	School with approved licensed deficit and a plan to recover the deficit by March 2020. The school is due to convert to Academy status in September 2018, under the convertor Academy route, whereby, and deficit balance will be borne by the sponsoring trust.
Colton Hills	(266,224)	24,923	School is no longer operating with a deficit at the end of its agreed licensed deficit period.
Claregate Primary	(37,571)	9,270	School is no longer in a deficit position.
New Deficits for 2017-2018			
Merridale Primary	6,498	(1,320)	A licensed deficit application is not required since the deficit is below £10,000. However, a monitoring watch will be maintained since the school has seen a significant fall in balances since 2016-2017.
St Alban's Primary	39,759	(7,521)	No licensed deficit is required. However, the school are expected to convert to Academy on 01 July 2018, and under the directed sponsored route, any remaining deficit will be borne by the Local Authority.
The King's Church of England	(43,102)	(449,536)	A new deficit in 2016-17. A Licensed Deficit is now in place at the school, and the cheque book facility has been removed. The LA is working closely with the school to assist in deficit recovery.
Pre-existing deficit balances (Academy conversions)			
Woodfield Junior	(104,826)	(170,543)	The school converted to Academy status on 01 September 2017. Under the directed

			sponsored conversion route, this deficit is transferred to the Local Authority.
Woodfield Infant	(96,469)	(225,781)	The school converted to Academy status on 01 September 2017. Under the directed sponsored conversion route, this deficit is transferred to the Local Authority

- 5.2 Resources to fund the deficits within maintained schools will need to be met from future allocations of the individual schools' Dedicated Schools Grant. Deficit balances for schools with a directed conversion (sponsored) to academy status are funded from Local Authority General Fund resources. Deficit balances for schools transferring to academy status under the convertor mechanism, are reimbursed to the Local Authority by the ESFA, and a settlement agreement is made with the sponsoring Academy trust.

6.0 Financial implications

- 6.1 Schools have a right to hold reasonable levels of balances and plan for the use of those balances over the medium term. The Scheme for Financing Schools includes provision for clawing back balances considered excess and redistributing these amongst other schools. In 2014-15 Governing bodies were made aware of the new approach and the potential that where there is evidence that there are no plans for the use of balances held, and redistribution would be beneficial to the wider school community, resources could ultimately be recovered. Such decisions would be subject to an arbitration process, agreement by the Schools Forum and ratification by Cabinet (Resources) Panel.

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