

Maintained Schools Balances as at 31 March 2019

1. Background

1.1 Maintained school balances have been at a significant level for a number of years both nationally and locally, but have been falling more recently. Approved limits are expressed as a percentage of school budget shares (including sixth form funding, pupil premium etc.) and are set at 5% for Secondary schools and 8% for all other schools. Schools may hold in excess of these limits as part of their year end balances, provided they meet specific criteria set out in the West Sussex Scheme for Financing Schools.

2. School Balances Analysis

2.1 As at the end of March 2019, total maintained school revenue balances have increased from £14.995m to £16.452m. These totals include some year-end transactions which, due to the early closure of individual school accounts, are not processed at an individual school level until the new financial year.

2.2 The year-end balances at an Individual School Budget (ISB) level have increased from £14.4m to £15.6m, on a like-for-like basis, and include at least £3.6m (2018: £3.7m) which is committed for building and other projects.

2.2 The value of commitments has been taken from the Agreed Revenue Balance Deduction statements that have been submitted by schools at the year end. Of our 214 maintained schools, 77 have yet to submit this paperwork or have submitted a nil return, which they are permitted to do where their revenue balance does not exceed the approved 5%/8% limit. As a result, total commitments across the county will exceed this figure.

2.3 Of the £3.6m declared commitments, £0.9m is being held as agreed revenue contributions to capital projects, £1.6m relates to government's ringfenced grants (Universal Free School Meals and PE & Sports Grant) and £0.5m to earmarked year 7 catch-up funds in secondary schools and Devolved Formula Capital Grant funding in Voluntary Aided schools. The remaining £0.6m includes lottery funding, Teaching School balances and locality funds.

2.4 Uncommitted balances have increased to £12.0m from £10.6m last year, and of these £1.3m relate to School Based Direct Labour Organisations (SBDLOs) and extended school facilities.

2.5 The remaining revenue balances total £10.7m, which represents 3.13% of the total School Budget Share (from 2.83% - £9.4m last year).

	Total Revenue Balances as at 31.3.18	Total Revenue Balances as at 31.3.19	Committed Revenue Balances as at 31.3.19	SBDLO & extended facilities as at 31.3.19	Remaining Revenue Balances as at 31.3.19	Remaining balances as % of School Budget Share
	£000s	£000s	£000s	£000s	£000s	%
Nursery	258	-51	98	0	-149	-6.12%
Primary	*8,673	10,420	3,151	494	6,775	3.75%

Secondary	3,884	3,823	329	824	2,670	2.17%
Special	*1,512	1,226	80	2	1,145	4.15%
Alternative Provision	51	215	0	0	215	3.66%
ISB Total	*14,378	15,633	3,658	1,320	10,656	3.13%
YE Adjusts	617	819				
Total	14,995	16,452				

*excluding schools that became academies in 2018/19 - total actual figure was £14.351m

2.6 At the end of 2018/19, 20 schools currently appear to be holding an uncommitted balance in excess of their approved 5%/8% limit, although 6 of these schools have yet to submit their year-end commitments paperwork. The year-end returns of the remaining 14 are being investigated by officers. The total value of excess balances is currently £0.298m.

3. Schools in Deficit

3.1 As at 31 March 2019 there were 24 schools with deficits (down from 25 last year) of which 15 already had an agreed licensed deficit in place. The combined deficit was £1.800m (2018: £1.287m), with 60% of this total being attributable to 5 schools with deficits in excess of £0.1m. Details are shown in the table below:

	Schools in deficit at March 2018 (a)	Schools recovered deficit in year (b)	Schools newly in deficit at March 2019 (c)	Schools in deficit at March 2019 (a-b+c)	Deficit Balances as at 31.3.19 (£000s)
Nursery	1	0	1	2	252
Primary	20	9	6	17	1,177
Secondary	3	1	2	4	137
Special	2	0	0	1	234
AP College	0	0	0	0	0
Total	* 26	10	9	24	1,800

*including Littlegreen which became an academy in January 2019.

3.2 Last year, of the 25 schools in deficit at 31 March 2018, 10 were able to set a budget for 2018/19 which enabled them to payback their deficit, but the remaining 15 requested a licensed deficit for that financial year. Despite having a surplus balance brought forward from 2017/18, a further 6 schools were unable to set a balanced budget for 2018/19 and therefore also requested a licensed deficit.

3.3 The number of schools requesting a licensed deficit for 2019/20 is not yet known (see section 5 below). Those schools that do require a licensed deficit will also be required to submit a recovery plan to the Local Authority, setting out how the school budget will be brought back into balance, normally within a two year period. These plans will be monitored by finance officers on a regular basis with further support and challenge being provided as required.

4. 2018/19 Academy Conversions

- 4.1 Any maintained school converting to academy status takes its balance, be it positive or negative. However, any school becoming a sponsored academy by means of an Academy Order applied for by the Governing Body of the school, under the Academies Act 2010, takes any surplus, but any deficit is left as a charge to the Local Authority.
- 4.2 In January 2019 Littlegreen special school converted by means of an Academy Order and unfortunately also closed with a deficit of £0.254m. This cost has been included in the Education and Skills portfolio year end overspend of £1.878m.

2019/20 School Budgets

- 5.1 At the beginning of the current academic year a three year budget exercise was carried out for all maintained schools using indicative budget allocations for 2019/20 and 2020/21. All schools were asked to complete a return to the Local Authority setting out a revised budget for 2018/19 and a planned budget for 2019/20 and 2020/21 by 30th November 2018.
- 5.2 To support this new process a new three year budgeting tool was developed and a series of interactive workshops were held during October 2018 in order to provide further guidance. As at the end of March 2019, 210 schools had submitted a three year budgeting return, and the remaining 4 maintained schools were being chased up for their submission.
- 5.3 All received submissions have been reviewed, with all the schools being given a RAG risk rating:
- Red – schools with a licensed deficit in 2018/19 and/or forecasting to have a potential deficit balance as at the end of 2019/20.
 - Amber – schools expecting to remain in surplus in 2019/20, but then forecasting having a deficit balance as at the end of 2020/21.
 - Green – schools not forecasting to go into deficit in the next two years.
- 5.4 A summary of the RAG status given to each maintained school is set out below:

RAG Rating	Total Schools				Follow
		Red	Amber	Green	Up *
Nursery	4	1	1	0	2
Primary	179	41	67	59	12
Secondary	20	4	1	15	0
Special/APC	11	6	2	2	1
	214	52	71	76	15

*11 schools are being asked for further information to support their submission and 4 school submissions remain outstanding

- 5.5 The 2019/20 school budget shares for all maintained schools were published at the end of February 2019, and all these schools now have until 31st May 2019 to set and approve their 2019/20 individual school budget. Since the turn of the calendar year, as part of next year's budget setting exercise, all schools that were given a red RAG rating in the three year budgeting exercise have been

contacted by a School Resource Manager, and visits are currently being undertaken in order to help the school try and set a balanced budget in 2019/20.

- 5.6 Early indications are that a number of these schools will be able to set a balanced budget next year. In some cases this is due to carrying forward higher balances into 2019/20 as a result of pro-actively making cost savings during 2018/19, but in many cases it is likely to be through making staffing reductions either by means of redundancy or by not replacing staff who are leaving.
- 5.7 Neither the three year budget returns nor the 2019/20 school budget returns give a full picture on how schools are managing to balance their budgets. It has therefore been agreed with Schools Forum that a brief funding survey will be undertaken during May 2019 in order to obtain the additional information required to give a better picture on the challenges facing West Sussex schools.
- 5.8 The actual number of schools who will not be able to set a balanced budget in 2019/20, and therefore requesting a licensed deficit, will not be known until the end of May. The expectation is that numbers are likely to be up slightly on the 21 in 2018/19.

Special School Budgets

- 6.1 The sector of most concern is that of special schools, with 8 out of the 10 schools forecasting to go into deficit at some point in the next two years. Unlike mainstream schools whose budgets are being calculated in line with the new National Funding Formula, special school budgets are funded from the High Needs DSG block by means of a local formula. Due to the financial pressures being experienced within this block, the individual special school budgets have been cash frozen for a number of years. Indeed many of the top up rates of funding that the schools receive are still based on 2013/14 pay rates.
- 6.2 A further growing issue is that with the increasing complexity of need that many of the pupils who attend the special schools now have, many schools are having to recruit more teaching assistants, which means that their actual staff/pupil ratio is higher than the current funding formula allows for.
- 6.3 An urgent review of all special school budgets, and their existing funding formula is currently being undertaken. It is likely that these schools will need to be allocated more funding from within the High Needs block in order to ensure that they continue to remain viable in the future.