

# Paper for Information Only

## SOMERSET SCHOOLS FORUM

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### **Somerset Maintained School Balances 2018/19**

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#### **1. Summary**

- 1.1 This is the annual report on Somerset School Balances. Detailed analysis of the balances for LA Maintained Schools is included in Appendix A. A detailed breakdown of individual school balances is included in Appendix B.

The analysis of Academy balances as at 31 August 2018 is not yet complete - this entails examination of the published accounts from academy websites, which is now a substantial task given the numbers involved. This analysis will be available for the Somerset Schools Forum meeting in October 2019. Academy accounts for the 2018/19 year (to 31 August 2019) will be available from November/December 2019 and we will look to update all data as soon as is practicably possible following the publication.

All data within the schools' balances reported excludes schools that converted to academies during the 2018/19 financial year, and these schools have also been removed from the 2017/18 data for comparison purposes.

#### **2. Recommendations**

- 2.1 This report is for information only, though Forum members may wish to consider revenue balances in light of the wider financial constraints and when making future funding recommendations. This report is more pertinent following the discussions at the extraordinary meeting held on 27 June 2019, and may be considered for future debate when assessing the options to deliver the actions as included within the DSG Deficit Recovery Plan (and agreed in principle).

#### **3. Background**

- 3.1 Schools are facing an array of funding pressures and although there has been an overall increase in funding through the implementation of a national funding formula in 2018/19, which continued for some schools in 2019/20, not all have seen substantial increases to offset the growing costs they are facing.
- 3.2 The 3% capping on per pupil value included in the 2018/19 formula resulted in an £8.82m deduction from school budgets compared to what would have been allocated without the capping. £4.27m (48%) related to LA maintained schools.

The equivalent amounts in 2019/20 were a £3.193m deduction, of which £1.74m (54%) related to LA maintained schools.

- 3.3 The Schools Funding and Accounting Team collects and validates information on each school's balance at the financial year end. This includes consistently identifying and validating exceptions in order to determine true uncommitted balances. There is a focus on developing robust and accurate management information, improving the level of challenge regarding financial management in schools and generally raising the profile of school balances and how this information may be perceived by stakeholders.

Expected revenue balance levels in schools are also monitored during the year through routine budget monitoring processes. Where there are concerns, these schools will be contacted and discussions will focus around sustainability of the school and the way in which balances can be used to raise achievement.

## **4. Detail**

### **4.1 Overall Balances**

Table 1 in Appendix A shows the level of school balances over the last two years (2018/19 and 2017/18).

The overall balance increased by £0.99m, comprising a £1.24m rise in DFCG balances, and a £0.25m decrease in revenue balances.

The increase in the DFCG is mainly attributable to the additional capital funding allocated to schools late in the financial year (£1.7m).

The distribution of revenue balances by phase is also shown, including the % of total budgets that this represents. Overall the % of budget held in reserves remained steady between the two years at 9%, though the proportion uncommitted fell slightly from 6% to 5%.

### **4.2 Analysis of Revenue Balances**

Table 2 in Appendix A shows a breakdown of both Committed and Uncommitted revenue balances.

#### *Committed Balances*

In both years, unspent grants account for well over £2m (45%) of the total.

In both years, third party balances account for £2.2m (e.g. income held for school trips/music lessons, Community Learning Partnership funds, PFSA/SASH/PTA, nursery

funds).

#### *Uncommitted Balances*

At the end of 2018/19 schools have identified £4.77m as required for offsetting predicted overspending in 2019/20 – this represents 55% of the total uncommitted balances, a 7% increase on the previous year.

### 4.3 **Distribution of Balances**

Balances continue to be unevenly distributed between schools.

#### *Deficit Balances*

Table 3 in Appendix A gives an analysis of deficit balances.

The number of schools in deficit rose from 11 to 14, and the total deficit rose by £0.47m to £1.9m. The vast majority of this debt relates to the three secondary schools in deficit.

In 2019/20 16 schools have set deficit budgets.

The Schools Funding & Accounting Team will continue to be involved in supporting schools in deficit with recovery planning. Spending is monitored to ensure that recovery plans are revised as appropriate, with the aim of future budgets being balanced and sustainable. The team also liaises with other colleagues as appropriate in order to provide the right support and expertise, e.g. school advisers, early years team, inclusion.

In 2019/20 all schools setting a deficit budget will be required to submit a Month 3 and Month 9 outturn forecast report in addition to the Month 6 report that is completed by all schools. Additional funding is being provided to assist with this from the budget held within Schools Specific Contingency which is used to support schools in financial difficulty.

#### *High Balances*

Table 4 in Appendix A gives an analysis of high balances.

13 schools (8%) had revenue balances exceeding 15% of their budget, down from 16 schools (10%) the previous year. The proportion is much higher in Special Schools and PRUs.

At the end of 2018/19 the “wealthiest” 10% of schools held 41% of the total revenue balance. The equivalent figure in 2017/18 was 42%.

Despite the removal of the balance control mechanism in 2014/15, the DfE will continue to scrutinise those LAs where more than 5% of their maintained schools

carry forward total revenue balances of more than 15% of their budget for five years or more, as long as the amount exceeds £10k.

## **5. Implications**

Individual schools' revenue balances are automatically carried forward.

The information within the appendices will support discussions planned at the October meeting of Somerset Schools Forum as the DSG Deficit Recovery Plan implementation actions and mechanism options are discussed.