



Paper C

Purpose: For Noting

Committee report

Committee	SCHOOLS FORUM
Date	18 JULY 2019
Title	SCHOOL BALANCES 2018/19
Report of	DIRECTOR OF CHILDREN'S SERVICES AND DIRECTOR OF FINANCE

EXECUTIVE SUMMARY

1. This report provides an update in the movement of individual maintained school balances as at 2018/19 year end March 2019 alongside information on indicative budget planning for 2019/20 and beyond. Detail on individual balances is included in Appendix A.
2. The local [Isle of Wight Scheme for Financing Schools](#) drives the financial compliance requirements of local maintained school's with the key section 4 being the main controls linked to the treatment of surplus and deficit balances.

SCHOOLS 2018/19 OUTTURNS

3. Isle of Wight maintained schools have devolved bank accounts and accounting systems which adds to year end responsibilities alongside Easter holidays and tight closedown deadlines, but despite this school business managers worked hard with the Education Finance Team to complete closedown requirements on time. The overall balance brought forward from 2017/18 was at a minimal £189,000 and previously expected to turn negative this year but improved to £456,000 in the final position.
4. The authority does not access academy school information as this is reported to the DfE directly as well as using different financial years, so the reported picture is for maintained schools and not the whole Isle of Wight school system.

5. The number of maintained schools in cumulative deficit has remained as 12 out of 42 (29%) after 3 primaries came out of deficit (Broadlea, Niton and St Marys) and 3 new deficits occurred (All Saints, Arreton and Summerfields) all in conjunction with local authority challenge and support discussions.

Table 1: Cumulative School Positions

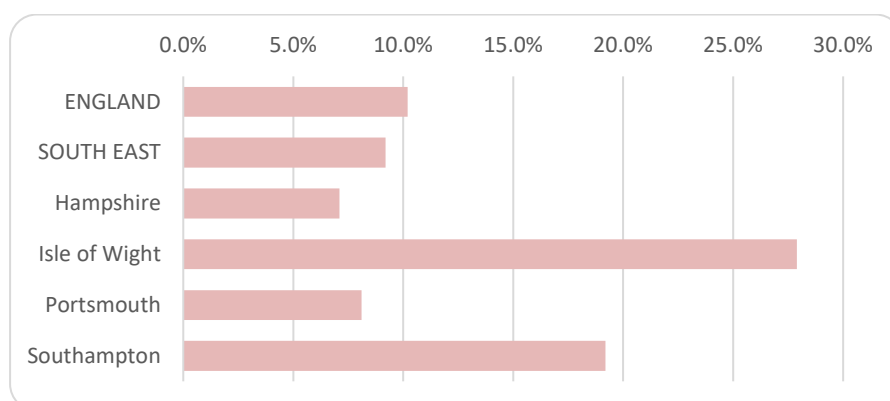
Year:	Cumulative Balances				In Year
	15-16	16-17	17-18	18-19	18-19
Surplus	37	31	30	30	24
Deficit	5	11	12	12	18
TOTAL Schools	42	42	42	42	42
Total Value	£1,539,614	£567,579	£189,505	£456,701	£267,195

6. Most schools (57%) operated with an in year surplus position for 2018/19 financial year, matching income & expenditure for that period. The remaining schools are working through recovery plans in conjunction with the local authority requirements linked to the Scheme for Financing Schools.
7. The Department for Education publishes data on maintained school balances periodically and 2017/18 became available in December 2018 for some comparison although not directed matched to the 2018/19 financial year. There is no equivalent publication of academy data, which is often reported at trust level preventing meaningful comparison. The overall number of schools in deficit for the Isle of Wight is above average at 27.9% compared to 10.2% nationally, in particular there is an above average number of deficits in the primary sector.

Table 2: School in Deficit Comparisons 2017/18

Comparator	Total Schools	In Deficit				
		No. In Deficit	% of Total	Primary	Secondary	Special
ENGLAND	15,050	1,532	10.2%	8.1%	30.0%	10.0%
SOUTH EAST	2,410	221	9.2%	7.1%	28.0%	14.0%
Hampshire	482	34	7.1%	4.6%	30.0%	9.0%
Isle of Wight	43	12	27.9%	29.7%	33.0%	0.0%
Portsmouth	37	3	8.1%	0.0%	33.0%	100.0%
Southampton	52	10	19.2%	10.8%	38.0%	40.0%

Chart 1: % of Maintained Schools in Deficit 2017/18



SCHOOL FINANCIAL VALUE STANDARD (SFVS) 2018/19

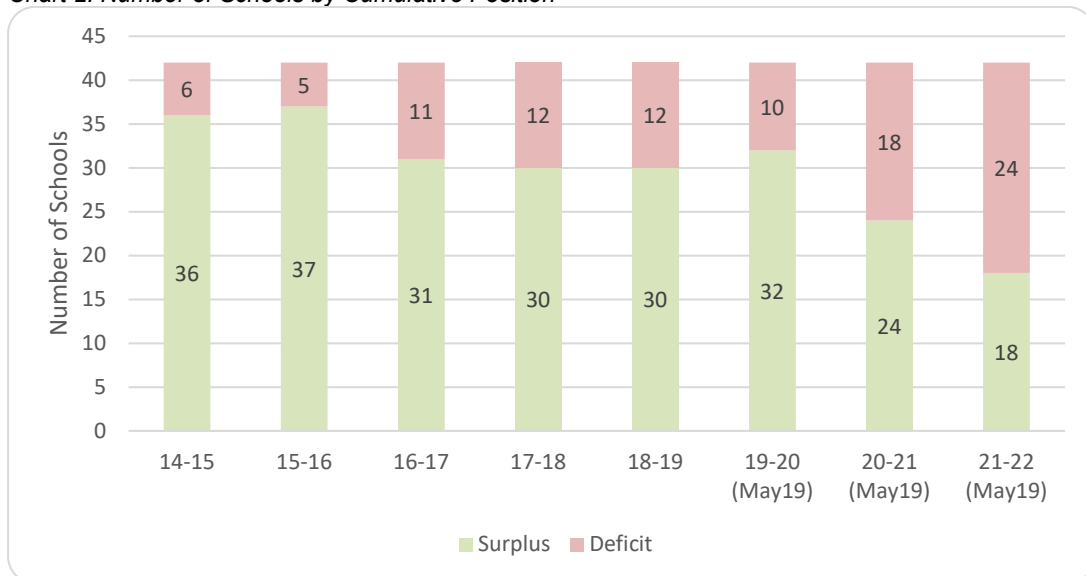
8. The SFVS return is an annual mandatory 25 question statement completed by governors to self-assess their finances and provide assurance to the Local Authority that they have secure financial management in place for all 42 maintained schools. All schools completed and submitted to the Local Authority the return for 2018/19 to allow the Director of Finance sign off and submission to the DfE by the mandatory deadline of 31 May 2019.
9. In a change to previous years, in the period between receipt of returns from schools and the DfE submission date, an internal audit was completed which concluded Reasonable Assurance as an overall assurance level across the 8 sampled schools. Of the 6 questions sampled from each return, the only medium risk area was the question around benchmarking where 5/7 schools could not evidence that any was undertaken over the 2018/19 period.
10. The agreed action to improve this will be the Senior Finance Business Partner to ensure that when the DfE release the annual benchmarking data, the update is communicated with schools to ensure they are aware and can investigate any categories that appear to be out of line. This will also be followed up at the Autumn School Business Manager network group when it has been arranged.
11. In February 2019 the Department for Education published the [2019/20 SFVS requirements](#) which have revised the standard and format. A dashboard incorporated, spreadsheet based submission is to be completed at a point during the financial year for submission to the authority for review by 31 March 2020.

SCHOOL 2019/20 BUDGET PLANNING (MAY 2019 SUBMISSIONS)

12. Schools are under continued pressure to balance budgets and working towards matching in year expenditure with in year income to evidence longer term sustainability and financial viability. There are continued pressures in particular on staffing inflation, impact of high needs demand growth, pockets of surplus places impacting some school and class sizes creating inefficient staffing structures that take time to realign. Specific grants on teachers pay and teachers pension changes have mitigated some of this, but neither are confirmed long term.
13. The overall number of schools in deficit remained at 12 as at 31 March 2019, following 3 coming out of deficit (Broadlea Primary, Niton Primary and St Marys Catholic Primary) and 3 going into deficit (All Saints CE Primary, Arreton St Georges CE Primary and Summerfields Primary). The number of schools in deficit is forecast to fall to 10 during 2019/20 as part of agreed recovery plans (St Helens Primary & Summerfields Primary). No new deficits are forecast to be entered into during 2019/20. In year 3, 57% of schools are forecast to be in a deficit position but this information should be treated with extreme caution due to a few key factors.

- School business managers have a history of pessimism in a lot to schools, some with repeated evidence of outturn positions significantly improved on original budgets. Prudence is good to ensure affordability and generate initiatives in enough time to action but needs to be balanced with a level of realism to ensure an accurate budget.
- The government spending review for 2020/21 is due at some point this year and there is limited / no indication on the expected funding settlements. Most school budgets are based on the existing funding formula continuing at its existing values
- Significant specific grants such as the Teachers Pay and the Teachers Pension grant are only confirmed for 2019/20 financial year. Most schools would prudently only have included the current year grant allocations within their estimates but continued future pay awards in expenditure budgeting

Chart 2: Number of Schools by Cumulative Position



14. The overall £ value of school cumulative current and forecast balances are listed below but numbers are partially distorted by a) the small number of secondaries/all through schools (4 schools) and b) the significant value of the Christ the King deficit (although improved from previous years through 1st year delivery of their recovery plan).

Table 3: Forecast school balances, as per May 2019 budget plans

Sector	18/19 Actual	19/20 Forecast
Primary	1,462,992	1,053,730
Secondary & All-through	-2,135,448	-826,263
Special	922,997	646,101
Alternative	206,160	212,204
TOTAL	456,701	1,085,772

15. Under the current Scheme for Financing Schools, each school must submit a 3 year budget plan each May (updated in November) and the licensing of deficits must satisfy these main recovery / timing criteria.
- A deficit budget must not be set without the prior approval of Education Finance (Senior Finance Business Partner) and the school must produce a clear plan to recover the deficit within 3 years, i.e. enter a cumulative surplus position in year 3.
 - In exceptional circumstances, it may be possible to extend the recovery period to up to 5 years with the approval of the DCS, i.e. enter a cumulative surplus position in year 5.
 - Under no circumstances is a school allowed to remain in deficit for 5 or more years without either a notice of concern being issued or the school's delegated budget being suspended.

SCHOOL INTERVENTION

16. With 42 maintained schools, individualised knowledge, communication, support and challenge is key in monitoring the financial health of schools. In addition, the authority uses an internal risk rating system to target support and challenge as appropriate.
17. The majority of schools are a lower risk rating, but there are 9 classified as higher risk, mainly as a result of longer term deficits or extensions to previously agreed recovery periods. The authority considers a variety of interventions when approaching schools to ensure they remain financially sustainable. These may include:
- Writing to governors for explanation of the school budget strategy.
 - Increasing the level of authority level budget monitoring.
 - Requesting a formal recovery plan is produced, detailing the strategies, costed with timelines to achieve a balanced sustainable budget position.
 - Joint meetings between the school, finance and school improvement to consider budget assumptions, staffing structures, efficiencies and value for money of any proposals.
 - The issuing of a notice of concern requiring the school to undertake a range of actions that further increase spending controls and local authority oversight and intervention.
18. The local authority has statutory and regulatory duties around maintained schools producing revenue budgets. Requirements are detailed within the scheme for financing schools but some developments have contributed to increased oversight.

- The School Reorganisation Panel (including Assistant Director, Principal Lawyer and Senior Finance Business Partner) considers all business cases for school restructures and is now well established, operating virtually providing some challenge to issues such as redeployment and value for money on redundancies.
- The Isle of Wight Council from April 2019 has taken on the payroll and human resources functions for over 10 local schools increasing visibility and linkages to the Councils HR policies to ensure the local authority ultimate employer duties are met.
- A Council restructure in the Financial Management services is in the process of being implemented that will add some capacity to the Education Finance team to ultimately enable increased support and challenge to individual schools.

RECOMMENDATIONS

1. That schools forum notes the school balances position for the Isle of Wight local authority maintained schools

APPENDICES ATTACHED

Appendix A – School balances history & forecast

BACKGROUND PAPERS

[Isle of Wight Scheme for Financing Schools September 2018](#)

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ISLE OF WIGHT MAINTAINED SCHOOLS CUMULATIVE BALANCES

APPENDIX A

School	2016/17 (actual)	2017/18 (actual)	2018/19 (actual)	2019/20 (forecast)
All Saints Church of England Primary School, Freshwater	75,947	3,922	-81,802	-42,091
Arreton St George's Church of England Controlled Primary School	22,416	1,145	-39,895	-38,596
Barton Primary School	-16,531	-57,733	-72,172	-18,148
Bembridge Church of England Primary School	100,363	45,903	22,670	9,751
Binstead Primary School	288,250	247,417	166,618	53,213
Brading Church of England Controlled Primary School	68,364	49,554	94,377	70,669
Brighstone Church of England Aided Primary School	141,588	119,296	98,414	35,418
Broadlea Primary School	-34,290	-32,796	18,078	28,335
Carisbrooke Church of England Controlled Primary School	123,520	161,745	197,123	132,364
Chillerton and Rookley Primary School	7,125	-71,463	-91,226	-76,671
Cowes Primary School	-2,538	-45,324	-40,092	-39,455
Dover Park Primary School	190,787	155,427	154,451	119,500
Gatten and Lake Primary School	195,275	220,209	247,500	249,482
Godshill Primary School	3,971	-112,508	-102,610	-68,702
Greenmount Primary School	19,498	10,530	94,396	60,559
Gurnard Primary School	22,069	108,525	91,155	21,240
Haylands Primary School	37,696	27,513	72,322	74,680
Holy Cross Catholic Primary School	31,237	47,300	40,862	23,859
Hunnyhill Primary School	-79,554	-72,063	-181,854	-127,040
Nettlestone Primary School	46,976	51,255	34,317	5,754
Newchurch Primary School	54,845	30,553	10,118	7,442
Newport Church of England Aided Primary School	50,297	102,287	116,522	106,706
Nine Acres Primary School	95,412	131,878	196,469	86,063
Niton Primary School	-42,653	-47,779	6,010	25,357
Oakfield Church of England Aided Primary School, Ryde	187,269	104,028	156,476	102,812
Queensgate Foundation Primary	121,526	77,543	133,182	85,840
Shalfleet Church of England Primary School	21,745	7,328	6,970	19,524
St Helens Primary School	-26,159	-21,827	-20,289	2,445
St Mary's Catholic Primary School	-8,464	-26,184	39,928	23,562
St Saviour's Catholic Primary School	-1,666	40,733	50,374	19,714
St Thomas of Canterbury Catholic Primary School	29,186	39,979	72,010	53,370
Summerfields Primary School	3,704	29,366	-8,668	564
Wootton Community Primary School	-16,461	-20,079	-54,388	-22,009
Wroxall Primary School	1,305	4,066	9,516	36,478
Yarmouth Church of England Aided Primary School	46,774	19,159	26,130	31,741
Primary	1,758,830	1,328,903	1,462,992	1,053,730
The Bay Church of England School	-29,198	-75,284	-738,035	-1,197,527
Christ The King College	-2,590,743	-2,621,899	-2,105,622	-1,326,147
Carisbrooke College	253,770	173,550	199,762	52,798
Medina College	246,231	362,107	508,447	447,086
Secondary & All-through	-2,119,940	-2,161,525	-2,135,448	-826,263
Medina House	473,997	460,150	513,478	486,112
St. Georges	389,290	460,736	409,520	159,989
Special	863,287	920,886	922,997	646,101
Island Learning Centre	65,403	101,240	206,160	212,204
Alternative	65,403	101,240	206,160	212,204
TOTAL ALL MAINTAINED SCHOOLS	567,579	189,505	456,701	1,085,772

ISLE OF WIGHT MAINTAINED SCHOOLS CUMULATIVE BALANCES

APPENDIX A

2016/17 (actual)	2017/18 (actual)	2018/19 (actual)	2019/20 (forecast)
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Numbers of Schools by position (excluding any historic academy conversions)				
Surplus:	31	30	30	32
Deficit:	11	12	12	10
TOTAL:	42	42	42	42

% of Schools by position (excluding any historic academy conversions)				
Surplus:	74%	71%	71%	76%
Deficit:	26%	29%	29%	24%

Value of position by Sector				
Primary	1,758,830	1,328,903	1,462,992	1,053,730
Secondary & All-through	-2,119,940	-2,161,525	-2,135,448	-826,263
Special	863,287	920,886	922,997	646,101
Alternative	65,403	101,240	206,160	212,204
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