

RAG RATING OF SCHOOL BALANCES

The purpose of RAG rating school balances is to identify any schools which are at risk of going into deficit or in deficit and will need a financial plan to avoid or recover from a deficit to stabilise to a sustainable basis.

The RAG rating is based on the criteria below:

RED

Any school ending the preceding year with a negative cumulative balance or forecasting to end the current year with a negative cumulative balance will be given a status of RED. The Scheme for Financing Schools does not permit a school to plan for a deficit budget. Where in exceptional circumstances deficits cannot be avoided, then such deficits need to operate under licence. This requires the school to agree a deficit recovery plan with the Authority before the first formal budget is set in the financial year of the planned deficit.

AMBER

Any school ended the preceding year with a surplus reserve, but which made a deficit in the year which if continued at the same rate for two further financial years would take it into a negative reserve position will be given a status of AMBER. Additionally, schools forecasting to end the current year with a balance of less than £50,000 will also be given a status of AMBER. This is because action may need to be taken now to reverse an underlying trend that is leading it to a deficit reserve.

GREEN

Schools that are not classified as Red or Amber. This will be kept under review as actual in-year expenditure may indicate a deterioration in the year end position.