

Report To:	SCHOOLS FORUM
Date:	18 October 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director - Finance Bob Berry – Assistant Executive Director - Learning
Subject:	2015/16 FINAL SCHOOL BALANCES
Report Summary:	A report on the reconciled school balances at 31 March 2016.
Recommendations:	Members of the Schools Forum are recommended to <ul style="list-style-type: none"> 1) Note the contents of the report. 2) Consider the continuation of the existing excess revenue surplus balance monitoring mechanism for schools within the Borough i.e. planned commitments are required for revenue surplus balances in excess of 8% of delegated revenue budget for Primary and Special schools and 5% of delegated revenue budget for Secondary schools. Commitment details are to be reported to the Schools Forum which will have the opportunity to consider a redistribution mechanism for any uncommitted revenue balances above permitted thresholds. It is proposed that expenditure commitment details for those schools with a surplus balance in excess of permitted thresholds at 31 March 2016 are provided to the Resource Management service of the Council by 21 October 2016. The associated details will then be reported to the next Schools Forum meeting for consideration 3) Note that any school which has or is projecting a deficit budget position either during or by the end of the existing three year budget period will be required to submit a deficit budget recovery plan to ensure a balanced budget is delivered (as referenced in section 5.6 of the report). The associated recovery plan will require approval by the Governing Body and the Section 151 officer of the Council in accordance with sections 4.4 to 4.9 of the Tameside Scheme of Financing for Schools. The development of recovery plans with associated schools will commence during the current term to ensure they are approved by the Governing Body and Section 151 officer of the Council during the current financial year
Links to Community Strategy:	Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.
Policy Implications:	Overall effective use of resources across Tameside schools is a key component in the Authority's Annual Use of Resources Statement.

**Financial Implications:
(Authorised by the Borough
Treasurer)**

Schools with a projected excessive revenue surplus balance (greater than 8% of in year delegated funding for primary and special schools and greater than 5% of in year delegated funding for secondary schools) are required to have an agreed plan of commitments in place with the Council for the excessive balance should the Schools Forum agree to the continuation of this monitoring mechanism.

Schools with a current or a projected deficit balance within the existing three year budget period are required to have an agreed budget recovery plan in place with the Council to ensure a balanced budget is delivered. The development of recovery plans with associated schools will commence during the current term to ensure they are approved by the Governing Body and Section 151 officer of the Council during the current financial year.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

There needs to be greater challenge and oversight of the budgets particularly where the school is not delivering a balanced budget as any academisation would result in the debt being passed to the Council.

Risk Management:

The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.

ACCESS TO INFORMATION:

NON-CONFIDENTIAL

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Access To Information:

The background papers relating to this report can be inspected by contacting Stephen Wilde, Head of Resource Management, Resource Management, Directorate of Finance by:



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1. BACKGROUND AND INTRODUCTION

- 1.1 Final school balances for 2014/15 were presented to the Schools Forum on 20 October 2015.
- 1.2 Total reconciled school balances (inclusive of revenue and capital) at 31 March 2015 were £8.789 million. This was a decrease of £2.792 million on the balance reported at 31 March 2014.
- 1.3 The final level of school balances as at 31 March 2016 are £7.187m, a decrease of £1.602m on the balance reported at 31 March 2015. It is important to note that two Tameside schools became Academies prior to 31 March 2016, which accounts for £0.250m of the reduction in balances (Manor Green Primary School £0.101m, Moorside Primary School £0.149m). The reduction in balances during 2015/16 for those schools which were Maintained Schools at 31 March 2016 was £1.352m.
- 1.4 There are currently 8 Academy Conversions which have been confirmed to take place during 2016/17. Of these schools, Godley Primary School and Oakfield Primary School converted on 1 April 2016 with combined balances of £0.160m. Flowery Field Primary School converted on 1 June 2016 with a balance of £0.124m. Two further schools, Dowson Primary School and Bradley Green Primary School converted on 1 September 2016 but their final balances have not yet been determined. Leigh Primary School and St Paul's Primary School, Stalybridge, are expected to convert before the end of the autumn term with Astley Sports College expected to convert before the end of the financial year. This is a comparatively large number of conversions in one financial year and consequently they will have a significant effect on the level of school balances at the end of 2016/17. There are two further schools which have applications to convert to Academy Status waiting to be approved by the Department for Education (DfE) and more schools could apply and convert before the end of the financial year, which would further reduce the total level of balances.
- 1.5 Table 1 (below) provides summary details of the cumulative level of Tameside school balances for the previous three financial years.

Table 1

Financial Year	Revenue Balance £'000	Capital Balance £'000	Total Balance £'000	Change in Year £'000
2013/2014	11,142	438	11,581	- 338
2014/2015	8,363	425	8,789	-2,792
2015/2016	6,710	477	7,187	-1,602

- 1.6 There are 2 appendices to this report which give further information on schools balances over the last three years as detailed below:

Appendix A shows a detailed breakdown of each school's balance as at 31 March 2016 and highlights those schools with balances in excess of the permitted thresholds (8% for primary and special schools and 5% for secondary schools)

Appendix B shows the movement in school balances since 31 March 2013 at an individual school level.

- 1.7 A revised Scheme for the Financing of Schools was implemented on 1 April 2011. The scheme states that Local Authorities should consider relaxing their excess surplus claw back mechanism. Any mechanism should have regard to the principle that schools should be moving towards greater autonomy. Local Authorities should focus their attention on

those schools which have accumulated significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area. Sections 2 to 4 below detail the number of schools in each sector with surplus/deficit balances, as well as the number of schools with a balance in excess of the permitted threshold.

- 1.8 The surplus balance claw back mechanism in operation in Tameside is facilitated by the Schools Forum and any decision to enforce a claw back has to be made by voting members. The thresholds used in Tameside to define excess surplus balances are 8% of the respective delegated revenue budget for Primary and Special Schools and 5% for Secondary Schools.
- 1.9 It is proposed that expenditure commitment details for those schools with a surplus balance in excess of permitted thresholds at 31 March 2016 are provided to the Resource Management service of the Council by 21 October 2016. The associated details will then be reported to the next Schools Forum meeting for consideration.

2. FINAL PRIMARY SCHOOL BALANCES

- 2.1 There were 65 primary schools (81% of all Tameside schools) with a surplus balance at 31 March 2016.
- 2.2 There were 29 primary schools with surplus balances which equated to less than 8% of their 2015/16 delegated school budget.
- 2.3 There were 36 primary schools with a surplus which was greater than the permitted threshold. The total of excess surplus balances in primary schools was £1.990m at 31 March 2016.
- 2.4 There were 2 primary schools (3% of all Tameside Schools) with deficit balances. The total level of deficit balances in primary schools was £0.056m at 31 March 2016.

3. FINAL SECONDARY SCHOOL BALANCES

- 3.1 There were 3 secondary schools (4% of all Tameside schools) with a surplus balance at 31 March 2016.
- 3.2 There was 1 secondary school with surplus balances which equated to less than 5% of their 2015/16 delegated school budget.
- 3.3 There were 2 secondary schools with a surplus which was greater than the permitted threshold. The total of excess surplus balances in secondary schools was £0.218m at 31 March 2016.
- 3.4 There were 5 secondary schools (6% of all Tameside Schools) with a deficit balance. The total level of deficit balances in secondary schools was £1.289m at 31 March 2016.

4. FINAL SPECIAL SCHOOL BALANCES

- 4.1 There were 4 special schools (6% of all Tameside schools) with a surplus balance at 31 March 2016.
- 4.2 There were 3 special schools with surplus balances which equated to less than 8% of their 2015/16 delegated school budget.

- 4.3 There was 1 special school with a surplus which was greater than the permitted threshold. The excess element of this school's balance was £0.063m.

5. SCHOOLS WITH DEFICIT BALANCES

- 5.1 At 31 March 2016 there were 7 schools with deficit balances. The total of these deficits was £1.345m (Primary Schools £0.056m, Secondary Schools £1.289m). The table below provides details on the level of projected school deficits up to 31 March 2019.
- 5.2 Whilst the number and level of schools in deficit in the Secondary sector is already a concern, the data in table 2 below highlights that the trend is also likely to be replicated in the Primary and Special school sectors in future years.

Table 2

Financial Year Ending 31 March	Number of schools projecting deficit balances				Value of projected deficit balances £m			
	Primary	Secondary	Special	Total	Primary	Secondary	Special	Total
2017	5	6	3	14	0.090	3.243	0.309	3.642
2018	15	6	3	24	0.707	5.439	0.916	7.062
2019	26	6	3	35	2.501	7.279	1.612	11.392

NB: Table 2 is based on budget plan data from schools which were maintained as at 31 March 2016.

- 5.3 Along with all other Local Authorities, Tameside introduced a new funding model in April 2013. Whilst the new model has meant changes for many schools in their levels of their funding, the Minimum Funding Guarantee has protected those schools which would have seen a large decrease in funding, but the nature of the Minimum Funding Guarantee means that this protection reduces in future years and therefore it is now starting to have an impact on school balances.
- 5.4 However, it should be noted that historically school budget plans are extremely pessimistic. Budget plans from schools in 2015/16 indicated balances would reduce by just over £6m compared to the actual reduction in balances of £1.6m. Therefore concerns are once again raised over the accuracy of budget plans submitted to the Council. School budget plans are used by the Council for a variety of purposes, including the calculation of cash deposits to schools. Submission of inaccurate data can lead to schools not receiving their correct cash allocation during the financial year, with adjustments required in the following year.
- 5.5 Whilst the figures in table 2 above most likely represent a worst case scenario position, the trend in the decline of school balances is concerning. The Tameside Scheme of Financing for Schools dictates that licensed deficits will be no more than 20% of gross surpluses held by schools. As at 31 March 2016 cumulative school deficits represented 16% of gross school surpluses. Based on the projections above at the end of March 2017 this figure will rise to 79% which would equate to a reduction in balances during the current financial year of approximately £6.2m.
- 5.6 Any school which is projecting a deficit budget position, either during or by the end of the existing three year budget period, will be required to submit a deficit budget recovery plan to ensure a balanced budget is delivered. The associated recovery plan will require approval by the Governing Body and the Section 151 officer of the Council in accordance with sections 4.4 to 4.9 of the Tameside Scheme of Financing for Schools. The Head of Resource Management Service wrote to those schools where this applies during week commencing 3 October 2016 to explain the recovery plan procedure utilising the latest

approved three year budget plan submitted to the Council. Associated meetings are being arranged with relevant schools to discuss the projected deficit in further detail and to provide support and guidance on options to consider ensuring balanced budgets are delivered. Recovery plans will require approval by the Governing Body and Section 151 officer of the Council during the current financial year.

6. RECOMMENDATIONS

6.1 As set out on the front of the report.