

<b>Report To:</b>	<b>SCHOOLS FORUM</b>
<b>Date:</b>	11 July 2017
<b>Reporting Officer:</b>	Bob Berry – Assistant Executive Director - Learning Ian Duncan – Assistant Executive Director - Finance
<b>Subject:</b>	<b>2016/17 PROVISIONAL SCHOOL BALANCES</b>
<b>Report Summary:</b>	A report on the provisional school balances at 31 March 2017.
<b>Recommendations:</b>	<p>Members of the Forum are recommended to note the contents of this report.</p> <p>Members of the Forum are also requested to consider whether to continue with the existing excess revenue surplus balance monitoring mechanism for schools within the Borough from 1 April 2017 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 October 2017 Schools Forum which will have the opportunity to consider a redistribution mechanism for any uncommitted revenue balances above permitted thresholds.</p>
<b>Links to Community Strategy:</b>	Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.
<b>Policy Implications:</b>	The Dedicated Schools Grant is delegated to schools in line with national school funding regulations. Schools must manage their budgets in line with the Tameside Scheme of Finance for Schools (2015).
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer)</b>	<p>Schools with a projected excess 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. Details will be presented to the 2017 Autumn Term Schools Forum meeting for consideration.</p> <p>Schools with a projected deficit balance in any year of the current three year budget planning period are required to have an agreed recovery plan in place with the Council to deliver a balanced budget within an agreed timescale. Section 5.4 of the report states there are a number outstanding three year budget (and recovery plans where appropriate). These will be requested from relevant schools as a matter of urgency.</p> <p>All schools need to ensure they are producing budget plans which are as accurate as possible and that these plans are monitored against actual income and expenditure throughout the financial year. Where necessary, revised budget plans should be submitted to the Council on a timely basis.</p>

**Legal Implications:**

(Authorised by the Borough Solicitor)

There is a statutory duty to use resources efficiently and effectively against priorities.

**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 2015/16 were presented to the Schools Forum on 18 October 2016.
- 1.2 Total reconciled school balances (inclusive of revenue and capital) at 31 March 2016 were £7.187m. This was a decrease of £1.602m on the balance reported at 31 March 2015.
- 1.3 The provisional level of school balances as at 31 March 2017 are £4.419m, a decrease of £2.768m on the balance reported at 31 March 2016. It is important to note that £0.385m of this reduction relates to the 6 schools which converted to Academy Status between 1 April 2016 and 31 March 2017, and those balances are therefore no longer included within the cumulative school balances of maintained schools within Tameside. The balances on conversion are shown in **Table 1** below:

**Table 1**

School	Academy Conversion Date	Balance as at 31 March 2016 £m	Balance on Conversion £m
Oakfield Primary School	1 April 2016	0.123	0.123
Godley Primary School	1 April 2016	0.038	0.038
Flowery Field Primary School	1 June 2016	0.107	0.124
Bradley Green Primary School	1 September 2016	0.112	0.048
Dowson Primary School	1 September 2016	(0.038)	(0.130)
St Paul Primary School (Stalybridge)	1 March 2017	0.043	0.033
		<b>0.385</b>	<b>0.235</b>

- 1.4 The reduction in balances during 2016/17 for those schools which were Maintained Schools at 31 March 2017 was £2.533m.
- 1.5 There are currently 5 Academy Conversions which are expected to take place during 2017/18, of which, four will be converter academies (Leigh Primary School, Waterloo Primary School, Broadoak Primary School and Longdendale High School) and one school (Astley Sports College) will be a sponsored academy. 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.
- 1.6 **Table 2** (below) provides summary details of the cumulative level of Tameside school balances for the previous three financial years.

**Table 2**

Financial Year	Revenue Balance £m	Capital Balance £m	Total Balance £m	Change in Year £m
2014/2015	8.363	0.425	8.789	(2.792)
2015/2016	6.710	0.477	7.187	(1.602)
2016/2017	Analysis not yet available		4.419	(2.768)

- 1.7 **Appendix A** shows a breakdown of school's balances as at 31 March 2017. It shows which schools have had their balances confirmed and which are still provisional. All balances will be finalised by the CFR (Consistent Financial Report) deadline of 21 July 2017. A further report will be presented to the Schools Forum in October 2017 which will detail the final balances, planned commitments for schools with a surplus balances over the agreed thresholds and a summary of individual schools balances over the last 3 years. It should be noted that these details are not available at this stage.

## **2. PROVISIONAL PRIMARY SCHOOL BALANCES**

- 2.1 There were 61 primary schools (81% of all Tameside schools) with surplus balances at 31 March 2017, with a total value of £6.473m.
- 2.2 There was 1 primary school (1% of all Tameside Schools) with a deficit balance, amounting to £0.009m
- 2.3 A total of 22 primary schools increased their level of balances by £0.675m, whilst 39 primary schools had a combined reduction of £1.277m.

## **3. PROVISIONAL SECONDARY SCHOOL BALANCES**

- 3.1 There were 2 secondary schools (3% of all Tameside schools) with surplus balances at 31 March 2017, amounting to £0.431m.
- 3.2 There were 6 secondary schools (8% of all Tameside Schools) with deficit balances, at a combined value of £2.681m.
- 3.3 All 8 secondary schools reduced their level of balances, by a total of £1.619m.

## **4. PROVISIONAL SPECIAL SCHOOL BALANCES (INC. TAMESIDE PUPIL REFERRAL SERVICE)**

- 4.1 There were 4 special schools (6% of all Tameside schools) with surplus balances at 31 March 2017, worth a total of £0.285m.
- 4.2 There was 1 special school (1% of all Tameside schools) with a deficit balance of £0.088m.
- 4.3 There were 2 special schools that increased their balances, by a total of £0.076m. The other 3 schools experienced a reduction in balances of £0.240m.

## **5. SCHOOLS WITH DEFICIT BALANCES**

- 5.1 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. The nature of the Minimum Funding Guarantee means that this protection reduces in future years and therefore it is now having an impact on school balances.
- 5.2 As set out above there were 8 schools with deficit balances at 31 March 2017. The provisional total of these deficits is £2.778m, an increase of £1.433m since 31 March 2016.

- 5.3 Reductions on this scale are clearly not sustainable and budget plans for 2017/18 will be closely scrutinised. In doing so it of interest to note that historically school budget plans can be particularly pessimistic. For example, budget plans from schools in 2016/17 indicated balances would fall by approximately £6.5m compared to the actual reduction in balances of £2.5m. 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.
- 5.4 **Table 3** details, by sector, the overall expected balances as reported in October 2016 compared to the provisional balances as at 31 March 2017. There are significant variations in each sector and therefore all schools need to ensure their budget plans are as accurate as possible. Inaccurate budget plans lead additional work for both schools and the Council. Significant resource is put into developing deficit recovery plans with schools so we need to ensure this resource is focused on those schools which genuinely need additional support. Poor budget planning can lead to schools having to make difficult decisions unnecessarily, which could be detrimental to standards of teaching and learning in the borough's schools.

**Table 3**

<b>Sec tor</b>	<b>Number of Schools</b>	<b>Expected balance at 31 March 17 (Reported October 16) £m</b>	<b>Actual Provisional Balance 31 March 17 £m</b>	<b>Variation £m</b>
<b>Primary</b>	61	4.067	6.473	2.406
<b>Secondary</b>	8	(3.366)	(2.250)	1.115
<b>Special</b>	5	(0.513)	0.196	0.710
<b>Total</b>	<b>74</b>	<b>0.188</b>	<b>4.419</b>	<b>4.231</b>

- 5.5 Any school which is projecting a deficit budget position, either during or by the end of the existing three year budgeting period, is 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. Deficit recovery plans were due to be submitted to the Council on 16 June 2017. At the time of writing this report there are a number of budget plans and deficit recovery plans still outstanding. The School's Finance Support Team is contacting any school which has not yet submitted their budget plan (and Deficit Recovery Plan where necessary), as plans need to be submitted and considered for approval as a matter of urgency.
- 5.6 As per the Tameside Scheme of Financing for Schools, the Financial Management team will also be introducing compulsory quarterly budget monitoring during this financial year. This will allow up to date projections of school balances to be included within the corporate monitoring report. The Schools Finance Support Team will work with schools to improve budget monitoring within schools to ensure projections are as accurate as possible.

## **6. RECOMMENDATIONS**

- 6.1 As set out on the front of the report.