

Report To:	SCHOOLS FORUM
Date:	13 February 2018
Reporting Officer:	Kathy Roe – Director of Finance
Subject:	SCHOOLS USE OF BALANCES
Report Summary:	A report to provide an update on school use of excess balances at 31 March 2017.
Recommendations:	<p>Members of the Schools Forum are recommended to</p> <ol style="list-style-type: none"> 1) Note the contents of the report. 2) Schools Forum look to retain the clawback criteria applied to mainstream schools but relax the application of it, on the following provisions; <ul style="list-style-type: none"> • Schools provide governor approved plans to the Local Authority, on agreed criteria. • Balances are not held in excess of 3 years 3) Note the update of spend on balances identified by schools at the October 2017 position.
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 Section 151 Officer)	<p>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.</p> <p>Schools Forum has the right to clawback excess balances under the Scheme of Finance for Schools. If this is invoked the clawback would be redistributed across all schools including the Academy Sector.</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.

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 Christine Mullins, Financial Management:



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1. BACKGROUND AND INTRODUCTION

- 1.1 Final school balances for 2016/17 were presented to the Schools Forum on 18 November 2017. Forum Members requested an update on the position be brought back to the February meeting.
- 1.2 A review of Tameside MBC's approach to excess balances was requested. Officers were asked to research what approach is taken in other authorities to inform decisions relating to invoking of clawback in future.
- 1.3 The final level of school balances as at 31 March 2017 are £4.624m. Those schools with excess balances held balances totaling £3.333m of which £1.740m represented balances in excess of the permitted levels 8% for Primary Schools and Special School and 5% for Secondary Schools. The £4.624m is net of deficit balances in some schools; therefore balances are providing funding for in deficit schools without which the Local Authority would have no funding to do this.
- 1.4 There were 32 primary schools with excess surplus balances of £1.615m, 1 secondary school with an excess balance of £0.114 and special school of £0.011m.

2. APPROACH TO CLAWBACK IN NORTHWEST.

- 2.1 Officers carried out research through the North West Local Management of School group (NWLMS). The group consists of Local Authority representation of Schools Finance representatives for Local Authorities across the North West of England. All of the Greater Manchester Authorities are represented.
- 2.2 The group was asked a number of questions in relation to the Authority they represent as follows;
 - If they have claw back mechanism in the Scheme of Finance for Schools?
 - Do they invoke the clause?
 - If not why do they not invoke the clause?
- 2.3 Of the 21 Authorities asked 13 Authorities responded. 8 local authorities do not have a clawback policy in operation. Of the 5 whom do have a clawback policy, 2 no longer use it and 3 still have a clawback but only 1 Authority continues to use this as a routine process.
- 2.4 The reasons Authorities gave for moving away from using clawback are as follows:-
 - Clawback of funding can only be applied to the Local Authority Schools; this cannot be applied to Academy Converter Schools. If funding is clawed back from schools it has to be redistributed across all school sectors including Academies, which creates inequitable treatment of the maintained sector.
 - With the changes to schools funding, the impact of above inflationary increases on staffing and pensions schools are facing increasing pressures. Schools have been allowed to use balances to make planned changes in school to address and avoid going into deficit.
 - The Authority works closely with the Schools to plan spend appropriately, ensure schools make best use of resources available to them and avoid spending budgets up to avoid losing them coming up to year end.

- 2.5 It is therefore suggested that the future approach with relation to schools excess balances, is as follows
- The Schools Finance team use the recently introduced budget monitoring reporting as an additional tool, to support schools in year to plan spend and manage utilisation of excess balances to more appropriate levels.
 - Look to establish specific reasons or criteria that balances can be held for. A return to be submitted to Schools Finance Team that has been approved by Governors, which outlines the planned spend with timescales for the plan.
 - It is suggested to cap the time period for which all balances could be held for, at 3 years, unless there were exceptional reasons for doing so.
 - Schools forum move away from clawback of budgets in the maintained sector, on the proviso that schools work with the Schools Finance Team to ensure robust approved spending plans are in place to utilise said balances, which will continue to be reported to forum.
 - However Schools Forum retain the right to clawback budgets in exceptional circumstances, which are suggested to be instances where excess balances do not have robust agreed spending plans and the school does not engage effectively with the Schools Finance Team, or hold the balances for more than 3 years.
 - An annual report will continue to come to forum for decision but, earlier reports will brought to Forum any instances where clawback may need to be considered to keep Forum fully informed.

3. UPDATE ON SCHOOLS SPEND OF EXCESS BALANCES

- 3.1 An update was requested from all schools that have balances in excess of the permitted thresholds. **Appendix A** details the planned expenditure identified by schools for the October Forum report, with an update to how those plans are progressing.
- 3.2 **Appendix B** provides a comprehensive overview of the delays and issues that Fairfield Primary has faced with regards to the building works the balances have been identified for.
- 3.2 There are currently 8 schools that have not provided an update to spending plans. The Schools team will continue to work with these schools to understand the spending position.
- 3.3 From December 2017 there is a requirement for schools to provide the Authority with regular budget monitoring updates. The exercise has proved useful and schools in general are engaged with the process.
- 3.4 The monitoring information provided by school has enabled finance officers directly working with the schools to identify areas where spending is school is different that the budget and support said schools to look at plans and act accordingly to ensure informed spending decisions are made.

6. RECOMMENDATIONS

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