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| Report To: | SCHOOLS FORUM |
| Date: | 26 June 2018 |
| Reporting Officer: | Kathy Roe –Director of Finance |
| Subject: | ACTUAL SCHOOL BALANCES 2017-18 & BALANCE MECHANISM SCHEME 2018-19 |
| Report Summary: | Update members of Schools Forum on the actual school balances at the end of 2017-18 and the Balance Mechanism Scheme for 2018-19 |
| Recommendations: | <p>Members of the Schools Forum are recommended to</p> <ol style="list-style-type: none"> 1) Note the actual school balances for 2017/18. 2) Note within the Balance Mechanism Scheme 2018/19 <ul style="list-style-type: none"> • The introduction of the 4 specified reasons for holding balances • The new template for schools to complete |
| 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 All schools via their governing body have delegated powers and responsibilities to manage and deploy their financial resources in accordance with agreed aims and objectives to achieve the best outcomes for pupils.
- 1.2 Details of the final school balances for 2017-18 and a comparison to 2016-17 is included below at section 2.
- 1.3 Maintained schools are permitted to carry forward any year surplus/deficit recorded at 31 March to the following year as long as they conform to the rules of the Balance Mechanism Scheme.
- 1.4 Following the 'Use of School Balances' report presented to Schools Forum in February 2018, a number of further controls relating to the scheme have been introduced in 2018/19 and these are discussed below at section 3.

2. TAMESIDE SCHOOLS FINAL POSITION 2017-18

- 2.1 The table below summarises school balances for the financial year 2017-18 by sector and the change from 2016-17

| Sector | 2016-17 | 2017-18 | Movement | % |
|---------------|-------------------|-------------------|-----------------|--------------|
| Primary | £6,174,176 | £7,353,202 | £1,179,026 | 19.10% |
| Secondary | (£2,256,577) | (£3,364,149) | (£1,107,572) | 49.08% |
| Special | £176,106 | £215,718 | £39,612 | 22.49% |
| Total Schools | £4,093,706 | £4,204,770 | £111,065 | 2.71% |

- 2.2 The table identifies that overall school balances have increased by £0.111m or 2.71% from 2016.17.
- 2.3 In the primary sector **surplus** balances increased by £1.179m or 19.10% whilst the **deficit** in the secondary sector increased by £1.108m or 49.08%. There was a small change overall in the special sector.
- 2.4 In 2017-18, 3 primary schools and 2 secondary schools converted to academy.
- 2.5 There were 10 schools that closed the financial year 2017/18 carrying forward a deficit. This included 3 primary schools with deficits totaling £0.002m; 5 secondary schools with deficits total £3.753m and 2 special schools with deficits totaling £0.238m.
- 2.6 The LA is acutely aware of the financial pressures facing some schools particular with increasing pay awards and superannuation costs and will be available to support schools in this position.
- 2.7 Schools will be required to have a Deficit Recovery Plan in place, approved by Governors in the following situations:
 1. Where school are carrying a deficit out turn balance forward from 2017/18
 2. Where the school has a forecast deficit out turn at the end of the 2018/19
- 2.8 School can only set a deficit budget where it is licenced to do so by the Section 151 Officer in the council. The Schools Finance Team will need to work with and review schools plans

and as always, will be available to provide additional support if required to discuss and review what actions can be taken to manage the deficit in future years.

3. BALANCE MECHANISM SCHEME 2018-19

- 3.1 Following the report submitted to Schools Forum in February 2018 and as agreed with Schools Forum the LA has been working to review the Balance Control Mechanism for balances and a number of changes have been incorporated to monitor schools balances in 2018-19.
- 3.2 The approach this year will move from a backward looking review, of looking back to see what the school should have spent against the 2017/18 funding, to a forward looking approach. The school will need to identify how they will utilise their projected surplus balance at the end of 2018/19 (after taking into account their planned spend into 2018/19 against their 2018/19 DSG funding including any balances brought forward from 2017/18).
- 3.3 Schools will still have to gain governor approval to hold balances above permitted levels. For 2018/19, the approach will be to look at the year end balances the school has control over in the current financial year i.e. we will be asking schools to submit plans for their 2018/19 Year End balance (or contingency) so this will include the 2017/18 balance brought forward along with the current in year surplus/deficit for 2018/19.

The permitted levels remain the same and are listed below:

- Primary and special schools can carry forward up to 8% of the 2018/19 school funding allocation as general balances – these are referred to as PERMITTED balances
 - Anything over 8% in primary and special schools will be classed as a SURPLUS balance and can only be held for one of the four 'allowable purposes' specified below
 - In the same way secondary schools can carry forward up to 5% of the 2018/19 School Funding Allocation and these are referred as PERMITTED balances.
 - Anything above 5% in secondary schools will be classed as a SURPLUS Balance.
 - The 2018/19 school funding allocation used to calculate the % Surplus balance will include the Schools Block Funding; High needs Block; Early Years Block; Growth Funding; allocations.
- 3.4 For 2018/19 see the introduction of 4 reasons on which Surplus Balances can be held. This will enable clearer monitoring and reporting of surplus balances to Schools Forum as well as helping schools when planning and forecasting budgets.
The 4 reasons include:
 1. As a revenue contribution to capital projects within a time limited maximum three year period;
 2. To maintain a reserve to fund staffing levels in the short/medium term due to a verified dip in pupil numbers or as a result of a reduction in funding due to the National Funding Formula. We do not anticipate this will be longer than a maximum of three years;
 3. To provide reasonable and proportionate resources to fund the impact of major changes in Government policy on the curriculum and improvement in multiple subject areas, which can be supported by a plan endorsed by the authority. Any decisions to retain surplus balances for this reason will be subject to review by the Local Authority.
 4. Capital funds set aside for future year's capital / lifecycle provision. Schools will be required to provide a summary business case explaining the reasons and this will be subject to review by the Local Authority. This should be for major items which may be considered unusual (e.g. replacement of 3G pitch) or especially significant building work.

Schools with permitted balances i.e. under 8% in primary and special and under 5% in secondary will not have to fit into the above criteria.

- 3.5 In 2018-19, schools with a Surplus Balance will be required to complete a new template detailing the reasons for holding the surplus balance and when it will be spent. The template requires approval by Governors and returning to the LA by 30 June 2018.
- 3.6 The LA will use the template and information submitted to monitor and report on any surplus balances to Schools Forum. An update regarding the use of 2018/19 Surplus balances will be presented to Forum at the next meeting.

4. NEXT STEPS

- 4.1 To support schools in managing their resources effectively and to enable more accurate projection of year end balances the Schools Finance Team launched a budget monitoring template last financial year. This summer the LA will be offering all schools training on budget monitoring and support completing the template. This will support schools and provide governors with detailed monitoring information to enable support and challenge on budgets and also enable the LA carry out their statutory duty to monitor schools budgets.
- 4.2 The deadline for schools returning the 'Use of Surplus' balances template for 2018/19 is the 30 June 2018. The LA will assess all returns to ensure they meet the Balance Control Mechanism Scheme and an update will be presented to Schools Forum in the autumn term.
- 4.3 At March 2017, 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 with £0.011m. Further review of these schools will take place along with any further schools identified as having a surplus balance after 30 June 2018.