

Report To: **SCHOOLS FORUM**

Date: 23 October 2018

Reporting Officer: Tom Wilkinson – Assistant Director - Finance

Subject: **BALANCE MECHANISM SCHEME 2018-19**

Report Summary: This report provides an update to members of Schools Forum on schools balances 2018/19 and Balance Mechanism Scheme.

Recommendations: Members of the Schools Forum are recommended to

- 1) Note the schools projected surplus balances 2018/19
- 2) Note the returns received under the Balance Mechanism Scheme 2018/19

Links to Community Strategy: Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.

Policy Implications: In line with Council policy.

Financial Implications: 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.

(Authorised by the Section 151 Officer)

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.

Legal Implications: Overall effective use of resources across Tameside schools is a key component in the Authority's Annual Use of Resources Statement. We need to ensure any approach is maintained and kept under review and perverse incentives do not occur.

(Authorised by the Borough Solicitor)

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 From 2018/19, a number of changes were introduced to support the monitoring of surplus balances and these were agreed at Schools Forum in June 2018.
- 1.2 Under the Balance Mechanism schools classed as having surplus balance (over 8% in primary and special or 5% in secondary schools) are required to submit a return to the Local Authority (LA).
- 1.3 The school needs 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).
- 1.4 The return should include detail of how the surplus balance will be spent over the 4 specified reasons and the return should be agreed and approved with Governors before submitting to the LA by 30 June 2018.
- 1.5 Schools Forum has the right to claw back surplus balances under the Balance Mechanism Scheme Schools if the criteria of the scheme has not been followed.
- 1.6 Full details of the scheme attached at **Appendix 1**.

2. ANALYSIS OF SURPLUS BALANCES & RETURNS RECEIVED 2018/19

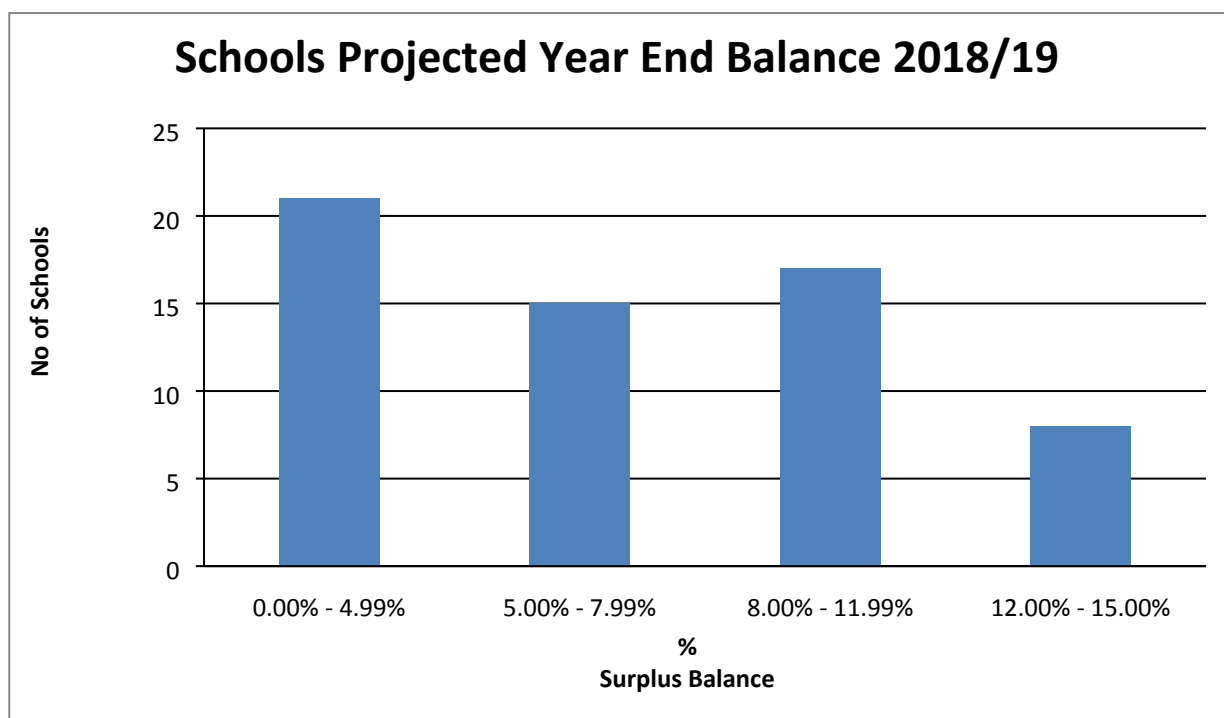
- 2.1 As previously reported in June 2018, the **final school balances 2017/18** were reported as £4.205m across all sectors. 64 schools held surplus balances totaling £8.196m whilst 10 schools closed the year with deficits totaling £3.992m

Sector	2017-18	Movement	%
Primary	£7,353,202	£1,179,026	19.10%
Secondary	(£3,364,149)	(£1,107,572)	49.08%
Special	£215,718	£39,612	22.49%
Total Schools	£4,204,770	£111,065	2.71%

- 2.2 All schools have now submitted their **original budget plan 2018/19** to the LA (in line with the Scheme for Financing Schools) and the table below summarises the position schools are projecting at the end of 2018/19. This shows schools a planning a significant reduction in surplus balances by the end of March 2019:

Approved Budget Plans 2018/19	Schools	Amount
Projected Surplus	61	£4,946,6385
Projected Deficit	7	(£3,135,784)
Totals	68	£1,810,601

- 2.3 Of the 61 schools that are projecting a surplus balance at March 2019, the graph below shows a breakdown on the level of balances held at each school. Balances are fairly evenly split with 21 schools with surplus balances under 5%; 15 schools with balances between 5-7%; 17 schools with balances between 8-12% and 8 schools with balances between 12-15%.



2.4 As the Balance Mechanism states schools with a surplus balance (over 8% in primary and special) and 5% in secondary schools must have that balance approved by Governors and submitted to the LA by the 30 June. Details of those schools that sent in returns are shown in the table below:

Analysis of Projected Balances	Schools	Returns Received	No Return Received	Evidence of Governor Approval Submitted
No of schools with Surplus Balance	26	20	6	6
No of Schools with Permitted	42	9	33	NA
Totals	68	29	39	6

2.5 The LA has worked closely with schools to support them in completing the returns. However, currently we have only received returns from 20 of the 26 schools that are required to submit a return. And of the schools that did send in returns only 6 indicated they had obtained Governor Approval.

2.6 During the autumn term we will continue to work with the schools that haven't returned their forms (and this has been due to a number of reasons including staff absence and timing of governor meetings).

2.7 Also we are aware this was a new way of reporting balances for 2018/19 and will look to include some training prior to next year's return being due.

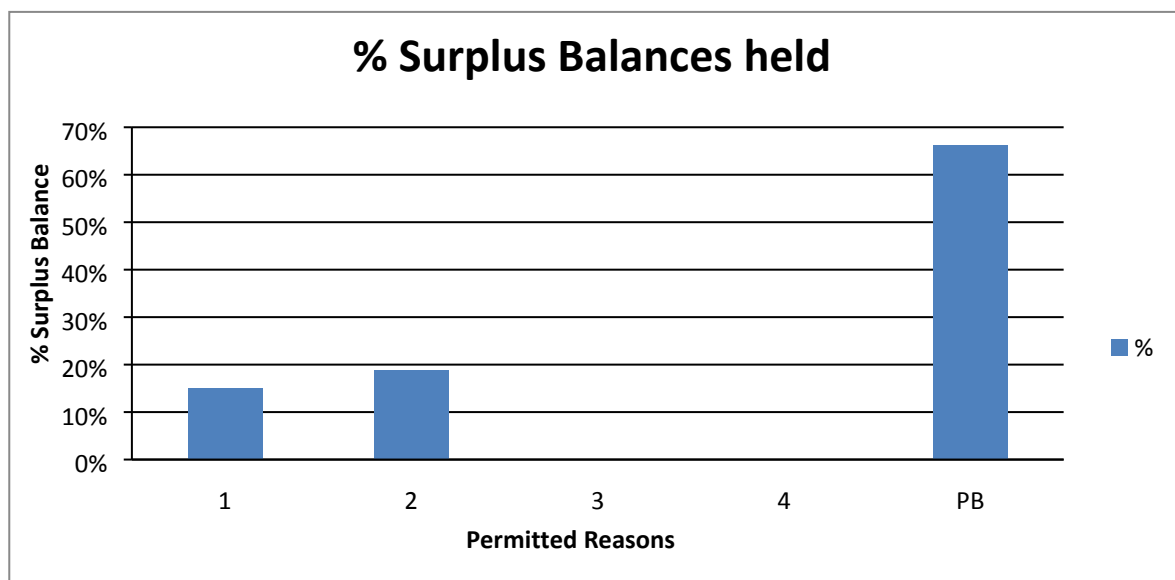
3. MONITORING SURPLUS BALANCES

3.1 Schools with a surplus balance (over 8% in primary & special and 5% in secondary) must earmark their surplus balance against 1 of the 4 permitted reasons. Anything below these thresholds is classed as a 'Permitted Balance'.

1. Capital Projects
2. Support Staffing Costs (dip in pupils numbers and/or implications of National Funding Formula)
3. Major Changes in Government Policy
4. Capital funds set aside for future year's capital / lifecycle provision

3.2 The graph below shows how those schools with Surplus Balances plan to utilise their balances. This shows schools are planning to spend any surplus balance on either capital projects or to support staffing costs in light of the move to the National Funding formula.

3.3 Most schools chose only to indicate what they were using their surplus balance on rather than their whole Balance (surplus and permitted). We would like to review this for 2019/20 to further encourage schools to consider the use of their total balance; this will help school leaders and governors with longer term financial strategy plans.



3.4 We have provided more in depth training sessions this year in both budget planning and budget monitoring. However, we are still finding schools need further support with projecting budget plans and projecting out turn figures. In year projections are showing some significant differences to budget plans set at the beginning of the year.

3.5 We will continue to use the information provided by schools to monitor surplus balance throughout the financial year and will give updates to Schools Forum as required.