

The Balance Mechanism Scheme 2018/19

- 1.1 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.
- 1.2 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).
- 1.3 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.
- 1.4 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.

- 1.5 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.

- 1.6 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.
- 1.7 The Blank template that schools should submit is attached at Appendix A.
- 1.8 Attached at Appendix B is an example of a completed form.
- 1.9 Attached at Appendix C is a flow chart to support schools in determining whether they are required to submit a Utilisation of School Balances Return.