

<b>Report To:</b>	<b>SCHOOLS FORUM</b>
<b>Date:</b>	17 October 2017
<b>Reporting Officer:</b>	Tom Wilkinson – Assistant Director - Finance
<b>Subject:</b>	<b>FINAL SCHOOL OUTTURN BALANCES 2016/17</b>
<b>Report Summary:</b>	A report on the reconciled school balances at 31 March 2017, with updates from Schools relating to the potential use of those balances.
<b>Recommendations:</b>	<p>Members of the Schools Forum are recommended to</p> <ol style="list-style-type: none"> <li>1) Note the contents of the report.</li> <li>2) Consider the continuation of the existing excess revenue surplus balance monitoring mechanism for schools within the Borough 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 outlined in appendix c for Schools Forum to consider a redistribution mechanism for any uncommitted revenue balances above permitted thresholds.</li> <li>3) Note that any school which has or is projecting a deficit budget position either during or by the end of the existing three year budget period will be required to submit a deficit budget recovery plan to ensure a balanced budget is delivered (as referenced in section 5.6 of the report). 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. The development of recovery plans with associated schools will continue during the current term to ensure they are approved by the Governing Body and Section 151 officer of the Council during the current financial year.</li> </ol>
<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>	Overall effective use of resources across Tameside schools is a key component in the Authority's Annual Use of Resources Statement.
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer)</b>	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 should the Schools Forum agree to the continuation of this monitoring mechanism.

Schools with a current or a projected deficit balance within the existing three year budget period are required to have an agreed budget recovery plan in place with the Council to ensure a balanced budget is delivered. The development of recovery plans with associated schools will continue during the current term to ensure they are approved by the Governing Body and Section 151 officer of the Council during the current financial year.

**Legal Implications:**

**(Authorised by the Borough Solicitor)**

There needs to be greater challenge and oversight of the budgets particularly where the school is not delivering a balanced budget as any academisation would result in the debt being passed to the Council.

**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 Christine Mullins, Financial Management:



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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 £7.187 million. This was a decrease of £1.459 million on the balance reported at 31 March 2015.
- 1.3 The final level of school balances as at 31 March 2017 are £4.624m, a decrease of £2.563m on the balance reported at 31 March 2016. It is important to note that 6 Tameside schools became Academies prior to 31 March 2017, which accounts for £0.160m of the reduction in balances (Oakfield Primary School 0.122m and Godley Primary £0.038m). Conversions during 2016/17 at Flowery Field £0.123m, Bradley Green £0.048m and St Paul's £0.032m balances remained with the council at year-end whilst resolving final charges, these have now been resolved and will show as reductions in 2017/18. Dowson Primary also converted to Academy the balance £0.091m currently remains within the maintained schools balances due to a dispute that is awaiting resolution from the ESFA. The reduction in balances during 2016/17 for those schools which were Maintained Schools at 31 March 2017 was £2.733m.
- 1.4 There are currently 5 Academy Conversions which have been confirmed to take place during 2017/18. The schools converting and dates of conversion are;

Astley Sports College and Community High School	01/07/2017
Broadoak Primary School	01/07/2017
Longdendale High School	01/07/2017
Waterloo Primary School	01/09/2017
Leigh Primary School	01/11/2017

This is a comparatively large number of conversions in one financial year and consequently they will have a significant effect on the level of school balances at the end of 2017/18, along with those 2016/17 schools that have had balances finalised early in 2017/18 outlined in paragraph 1.3.

- 1.5 Table 1 (below) provides summary details of the cumulative level of Tameside school balances for the previous three financial years.

**Table 1**

Financial Year	Revenue Balance £'000	Capital Balance £'000	Total Balance £'000	Change in Year £'000
2014/2015	8,363	425	8,789	-2,792
2015/2016	6,710	477	7,187	-1,602
2016/2017	4,182	441	4,623	-2,564

- 1.6 There are 3 appendices to this report which give further information on schools balances over the last three years as detailed below:

**Appendix A** shows a detailed breakdown of each school's balance as at 31 March 2017 and highlights those schools with balances in excess of the permitted thresholds (8% for primary and special schools and 5% for secondary schools).

**Appendix B** shows the movement in school balances since 31 March 2013 at an individual school level.

**Appendix C** contains details of the proposed use of those balances provided by Schools.

- 1.7 A revised Scheme for the Financing of Schools was implemented on 1 April 2011. The scheme states that Local Authorities should consider relaxing their excess surplus claw back mechanism. Any mechanism should have regard to the principle that schools should be moving towards greater autonomy. Local Authorities should focus their attention on those schools which have accumulated significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area. Sections 2 to 4 below detail the number of schools in each sector with surplus/deficit balances, as well as the number of schools with a balance in excess of the permitted threshold.
- 1.8 The surplus balance claw back mechanism in operation in Tameside is facilitated by the Schools Forum and any decision to enforce a claw back has to be made by voting members. The thresholds used in Tameside to define excess surplus balances are 8% of the respective delegated revenue budget for Primary and Special Schools and 5% for Secondary Schools.
- 1.9 It is proposed that expenditure commitment details for those schools with a surplus balance in excess of permitted thresholds at 31 March 2017 is available for consideration by Schools Forum in **Appendix C**.

## **2. FINAL PRIMARY SCHOOL BALANCES**

- 2.1 There were 62 primary schools (84% of all Tameside schools) with a surplus balance at 31 March 2017.
- 2.2 There were 30 primary schools with surplus balances which equated to less than 8% of their 2016/17 delegated school budget.
- 2.3 There were 32 primary schools with a surplus which was greater than the permitted threshold. The total of excess surplus balances in primary schools was £1.615m at 31 March 2017.
- 2.4 There were 2 primary schools (3% of all Tameside Schools) with deficit balances. The total level of deficit balances in primary schools was £0.016m at 31 March 2017.

## **3. FINAL SECONDARY SCHOOL BALANCES**

- 3.1 There were 2 secondary schools (4% of all Tameside schools) with a surplus balance at 31 March 2017.
- 3.2 There was 1 secondary school with surplus balances which equated to less than 5% of their 2016/17 delegated school budget.
- 3.3 There were 1 secondary schools with a surplus which was greater than the permitted threshold. The total of excess surplus balances in secondary schools was £0.210m at 31 March 2017 .
- 3.4 There were 6 secondary schools (8% of all Tameside Schools) with a deficit balance. The total level of deficit balances in secondary schools was £2.687m at 31 March 2017.

#### 4. FINAL SPECIAL SCHOOL BALANCES

- 4.1 There were 4 special schools (6% of all Tameside schools) with a surplus balance at 31 March 2017.
- 4.2 There were 3 special schools with surplus balances which equated to less than 8% of their 2016/17 delegated school budget.
- 4.3 There was 1 special school with a surplus which was greater than the permitted threshold. The excess element of this school's balance was £0.129m.

#### 5. SCHOOLS WITH DEFICIT BALANCES

- 5.1 At 31 March 2017 there were 8 schools with deficit balances. The total of these deficits was £2.703m (Primary Schools £0.016m, Secondary Schools £2.687m). The table below provides details on the level of projected school deficits up to 31 March 2020.
- 5.2 Whilst the number and level of schools in deficit in the Secondary sector is already a concern, the data in table 2 below highlights that the trend is also likely to be replicated in the Primary and Special school sectors in future years.

**Table 2**

Financial Year Ending 31 March	Number of schools projecting deficit balances				Value of projected deficit balances £m			
	Primary	Secondary	Special	Total	Primary	Secondary	Special	Total
<b>2018</b>	2	4	1	<b>7</b>	0.378	2.716	0.006	<b>3.100</b>
<b>2019</b>	3	5	1	<b>9</b>	0.780	3.356	0.173	<b>4.309</b>
<b>2020</b>	14	5	3	<b>22</b>	1.279	3.960	0.478	<b>5.717</b>

NB: Table 2 is based on budget plan data from schools which were maintained as at 31 March 2017.

- 5.3 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, but the nature of the Minimum Funding Guarantee means that this protection reduces in future years and therefore it is now starting to have an impact on school balances.
- 5.4 However, it should be noted that historically school budget plans are extremely pessimistic. Budget plans from schools in 2016/17 indicated balances would reduce by £6.2m compared to the actual reduction in balances of £1.5m. 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.
- 5.5 Whilst the figures in table 2 above most likely represent a worst case scenario position, the trend in the decline of school balances is concerning. The Tameside Scheme of Financing for Schools dictates that licensed deficits will be no more than 20% of gross surpluses held by schools. As at 31 March 2017 cumulative school deficits represented 38% of gross school surpluses. Based on the projections above at the end of March 2017 this figure will rise to 64% which would equate to a reduction in balances during the current financial year of approximately £2.5m.

- 5.6 Any school which is projecting a deficit budget position, either during or by the end of the existing three year budget period, will be 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. The Finance Business Partner for Schools is progressing this with those schools this applies to during autumn term to explain the recovery plan procedure utilising the latest approved three year budget plan submitted to the Council. Associated meetings are being arranged with relevant schools to discuss the projected deficit in further detail and to provide support and guidance on options to consider ensuring balanced budgets are delivered. Recovery plans will require approval by the Governing Body and Section 151 officer of the Council during the current financial year.
- 5.7 All schools were contacted after the Forum meeting in October 2016 requesting that formal deficit recover plans be provided to the Council during the Autumn term 2016, work is still on-going with schools to put these in place.

## **6. RECOMMENDATIONS**

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