

<b>Report to:</b>	<b>Schools' Forum</b>
<b>Date:</b>	17 December 2019
<b>Reporting Officer:</b>	Tom Wilkinson, Assistant Director of Finance Tim Bowman, Assistant Director of Education
<b>Subject:</b>	<b>Schools Balances</b>
<b>Report Summary:</b>	This is an update report to Schools Forum following on from the October 2019 report reviewing potential changes that could be made in an approach to managing schools balances.
<b>Recommendations:</b>	Schools Forum to agree the approach they would like to take in relation to the scheme of balances <ul style="list-style-type: none"> <li>• To increasing the limit from 8% and 5% to 12% and 9%</li> <li>• If they would like to give schools an option to contribute to a Capital Reserve</li> <li>• If the clawback clause to clawback surplus should be invoked from 2019/20.</li> <li>• If a clawback is invoked agree the level of the balances 50% or 100%</li> <li>• Agree if exceptions to the clawback should be considered.</li> </ul>
<b>Corporate Plan:</b>	Schools spending support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive, develop, aspire, and hope through learning. thereby moving forward with confidence from childhood to adulthood.
<b>Policy Implications:</b>	In line with financial policies and financial regulations.
<b>Financial Implications: (Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	School balances should be kept within the permitted levels to ensure effective management of funds in providing value for money for education provision within the borough.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	The financing of maintained schools is regulated by the School Standards and Framework Act 1998 as amended. Adherence to the mechanisms by which school budgets are determined and allocated will be required, in addition to the operation of the schools forum.
<b>Risk Management:</b>	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and closure of accounts to ensure that this is achieved. These are subject to regular review.
<b>Access to Information:</b>	<b>NON-CONFIDENTIAL</b>
	This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

**Background Information:**

The background papers relating to this report can be inspected by contacting Christine Mullins



Telephone: 0161 342 3216



e-mail: [christine.mullins@tameside.gov.uk](mailto:christine.mullins@tameside.gov.uk)

## **1. INTRODUCTION**

- 1.1 The purpose of this report is to outline areas of potential change to the schools balances mechanism process for Schools Forum to consider. This is a follow-up paper from the October Forum where different options were presented for consideration.
- 1.2 The report to October Forum outlined some recommendations from the Schools Funding group for Schools Forum to consider adopting in the Tameside Scheme.

## **2. SCHOOL FUNDING GROUP REVIEW**

- 2.1 In October 2019, the Schools Funding group discussed the balances, and put forward considerations in a report to Forum. The Schools Funding Group considered the number of schools with surplus balances above the permitted balances of 8% in Primary and Special Schools and 5% in Secondary Schools.
- 2.2 The group considered the reasons on how the excess balances had occurred and the purpose for which schools were holding them, the group recommended as part of the October Forum report a number of potential changes to the current scheme of balances they would like Schools Forum to consider adopting.
  - Increasing the threshold of permitted balances from 8% and 5% retrospectively to 12% in primary schools and 9% in secondary schools.
  - Look to set up a Capital fund held by the LA for specific capital schemes
  - Schools forum to use its powers of clawback if balances that are held for in excess of 2 years.
  - Looking to allocate any clawback to the High Needs Budget subject to compliance with regulations

## **3. CAPITAL FUND**

- 3.1 The Schools Funding group discussed the number of schools who were holding balances for Capital projects. Some schools had held balances for quite a number of years and in some cases significant balances are held for this purpose.
- 3.2 Some of the Capital Schemes are being delivered by the ESFA and the project implementation has been significantly delayed, which has caused the balances to be held and span multiple years
- 3.3 The group discussed the possibility of a Capital Reserve to be established, for schools to hold their balances held for Capital Schemes and held by the LA for specific capital schemes, the account to look to attract interest, but with restrictions that if the scheme does not progress the balance is not return to the school but is instead treated as a surplus balance subject to clawback. This would remove the funds from the schools balances and would not contribute to the overall value of schools balances levels.

## **4. CLAWBACK OF EXCESS BALANCES**

- 4.1 Schools Forum has previously discussed invoking the clawback provision within the current scheme. They have also discussed the clawback mechanism could only be applied to maintained schools and does not apply to the Academy Sector. The regulations state that funds clawed back would be shared with all Schools and Academies.

- 4.2 Schools Forum are asked to consider invoking the clawback mechanism where excess balances are held. Also to consider directing these surplus funds into the High Needs Block for use by all Schools and Academies in supporting children with additional needs in the borough, subject to regulations allowing this.
- 4.3 Some of schools have balances in excess of the permitted balances and have held them for a number of years. The group discussed the funding can be held for specific purposes including particular legal reasons. They also discussed that the costs may span more than one year, but in all likelihood they would be spent within a 2 year period.
- 4.4 Schools Forum as asked to consider if a clawback is invoked it is only after the school has held balances for 2 years, to take account of circumstance that may span more than one financial year. Surplus Balances are approved on an annual basis and are calculated based on the schools original approved budget plan in May. If school does not spend as per the approved surplus or have balances in excess of the approved surplus for 2 consecutive (rolling) years the excess balance will be clawbacked (either in full or at 50%)

**Example: Primary School assuming Surplus Balance Threshold is 12%**

<b>Primary School A</b>	<b>Projected Year End Balance</b>		<b>Actual Year End Balance</b>		<b>Balance Revoke</b>	
Year 1	£125,000	14%	£130,000	15%	£0	
Year 2	£140,000	16%	£150,000	17%	£10,000	1%

- 4.5 A neighbouring LA is now using its clawback mechanism, if balances are held for more than 2 years. They are using the clawback but recovering 50% of the surplus balance to support the High Needs Spending. Schools Forum are asked to consider if they would like to make this as an element of the clawback mechanism, to clawback only 50% or if 100% of surplus funds should be clawed back.
- 4.6 Schools Forum are also asked if there are any circumstances in which they would agree to an exemption to clawback being invoked.
- 4.7 If Schools Forum decide clawback should be invoked, should there be a right of appeal for schools who's budget will be subject to clawback

**5. CONCLUSION**

- 5.1 The school forum to consider the options put forward by the Schools Funding Group as to whether or not they would like the options including in the Tameside balances mechanism or not, the options being;
- Should the LA look to establish a School Capital reserve with the stipulations outlined in 3.2.
  - Should the Scheme of Financing invoke the clawback mechanism on balances held from 2019/20 going forward to contribute to High Needs Funding.
  - If the clawback mechanism should only be invoked after balances are held for 2 years.
  - If the clawback be limited to 50% of the surplus balance held

## **6. RECOMMENDATIONS**

6.1 As set out at the front of the report.