

Agenda Item: 5

Meeting: Schools Forum

Date: 28th June 2010

Subject: School Surplus Balances

Report of: Deputy Chief Executive and Director of Children Services

Summary: To update the Schools Forum on 2009-10 Balances for Central Bedfordshire Schools and new guidance for local authorities on managing Surplus School Balances

Contact Officer: Dawn Hill, Borough Hall, Bedford

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency
(if appropriate)

RECOMMENDATIONS:

1. To discuss and comment on the latest update.
2. To agree membership for the Surplus Balance Sub-Group to discuss surplus balances arising from the 2009-10 financial year.
3. To propose any claw back arising from the 2009-10 review of Surplus Balances be re-cycled to School Specific Contingency.
4. To consult on revisions to the Scheme for Financing School to :
 - require a revised budget plan to be submitted by 31st October each year
 - reduce the surplus balance thresholds for 2011-12
 - redefine the definition of Earmarked Funds

Background

1. In April 2006 the Department for Children Schools and Families (DCSF) consulted on a number of revisions to the Secretary of State's guidance on local authority Schemes for Financing Schools. In light of this consultation and as provided for by section 48 of the Schools Standards and Framework Act 1998 the Secretary of State made directed revisions which came into effect on 1st January 2007, placing a requirement on all local authorities to include a mechanism that controls surplus school balances.
2. Central Bedfordshire's Scheme for Financing Schools details the treatment of surplus balances arising in relation to budget shares. Where schools have a surplus balance that exceeds the prescribed thresholds, that is balances over 5% (middle and upper) or 8% (nursery, lower or special) after allowing for earmarked funds, the Governing Body are required to put in place a financial plan to reduce the surplus to below the threshold. The plan is reviewed and agreed by the Sub Group of the Schools Forum each year and monitored to ensure such surpluses are used appropriately for the benefit of the school. If the Sub Group is minded to believe that a school is not retaining the balance for appropriate reasons, then a process will be started to recycle the funds in excess of the threshold.
3. The total Revenue Surplus Balances for Central Bedfordshire Schools for 2008-2009 was £8.2m. Forty six schools were subject to the Surplus Balance Sub Group for having balances above the defined thresholds. No funds were recycled for the 2008-2009 financial year.

Update

4. In 2009 the DCSF and Local Government Association (LGA) conducted a joint survey of local authorities on the subject of school balances, with a view to producing guidance for local authorities. Guidance has now been issued (March 15th 2010) and although not statutory guidance is likely to represent the direction of any action backed by statutory powers in the future and as such, is strongly suggested it is followed.
5. Where strict local processes have been set in agreement with the Schools Forum, the guidance should not be seen as advising softening of this approach. Local Authorities are advised to take strong action where schools have excessive balances, except where they are very clearly and accurately justified.
6. In summary, whilst the DCSF will not prescribe a particular process for local authorities to follow they should ensure the balance control is a key part of multi-year planning and in year monitoring, with school finance officers working with both school improvement and asset management colleagues, and engaging the Schools Forum and members appropriately.

7. Guidance suggests:
 - 8% and 5% thresholds are not targets but absolute maximum (suggests 4-5 % primary and 2-3% secondary)
 - Schools should be challenged on whole balance not just excess
 - LA should clearly define what counts as a committed balance
 - Monies held for other schools e.g. clusters, partnership agreement and privately raised funds, should be accounted for separately
 - Clawed back funds could be spent on invest to save schemes such as supporting the training of schools business managers or pump priming federations or partnership arrangements
 - It is not expected that schools use their revenue balances for capital projects, but they are able to do so
 - Revenue funding cannot be 'converted' to capital in school accounts until it is spent

8. Basic principles which may help ease the process of balance control:
 - Not to be seen as just a year end issue
 - Schools wishing to retain balances to apply before the end of the financial year
 - Schools encouraged to update future budget plans in autumn term as pupil numbers become clearer
 - Sign up extends beyond the Schools Forum to the senior management of the Council and elected members
 - Surplus balances should not be used to defer difficult decisions, such as sustainable staffing structure

9. If the DCSF do not see a substantial reduction in excessive surplus revenue balances, the Government will consider further action from 2011-12 to bring the total down.

10. The total Revenue Surplus Balance for Central Bedfordshire Schools for 2009-2010 is £7.9m, a use of reserves of £0.3m. Before the declaration of committed balances (Earmarked funds), 54 schools would be subject to the Surplus Balance Sub Group for having balances above the defined thresholds. See Table 1 below:

11. Should the thresholds be reduced to 5% for Nursery, Lower and Special and 3% for Middle and Upper, a further 34 schools would be subject to the surplus balance group, the breakdown per phase is shown in the table below in brackets.

Table 1

	Total no of Schools in Phase	Total Balance (including committed balances) '000	Total No of Schools above the defined thresholds	Value of excess balance and possible claw back for current threshold levels '000
Nursery	4	254	4 (4)	154
Lower	95	2,976	35 (58)	1,066
Middle	24	1,233	8 (14)	337
Upper	9	2,657	4 (6)	1,163
Special	6	767	3 (6)	164
Total	138	7,888	54 (88)	2,884

Recommendations

1. To agree membership for the Surplus Balance Sub Group to discuss surplus balances arising from 2009-10 financial year, with any recycled funds being paid to School Contingency.

2. To consult on revisions to the Scheme for Financing School to require:

- (a) A revised budget plan to be submitted by 31st October each year (Autumn Term)
- (b) Reduce the allowable thresholds to 5% for Nursery / Lower and Special schools and 3% Middle and Upper schools for the 2011-12 financial year.
- (c) Redefine the meaning of Earmarked Funds to exclude unspent School Development Grant (SDG) and School Standards Grant (SSG) as these are effectively now annual allocations known before the start of the financial year with some predictability (unspent Standards Funds only where ring fenced and specifically allocated for an academic year will be permitted).

Appendices:

None