

**Meeting:** Schools Forum

**Date:** 20 November 2017

**Subject:** School Surplus Balances

**Report of:** Director of Children's Services

**Summary:** To update the Schools Forum on the 2016/17 Schools surplus balances

Contact Officer: Dawn Hill, Priory House, Shefford

Public/Exempt: Public

Wards Affected: All

Function of: Council

#### **RECOMMENDATIONS:**

- 1. To note latest update on Schools holding excess surplus balances and comment on next steps.**

#### **Background**

1. Central Bedfordshire Council's (the LA) Scheme for Financing Schools is based on the legislative provisions in sections 45 – 53 of the School Standards and Framework Act 1998 (the Act) and the School and Early Years Finance (England) Regulations 2017 (the regulations). Under this legislation, the Department for Education (DfE) will determine on an annual basis, the minimum size of the Schools Budget, through the Dedicated Schools Grant (DSG). The Local Authority (LA) will determine the actual level of the Schools Budget and their non –schools education Budget.
2. The LA may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under Section 45A of the Act. The amounts to be retained centrally are decided upon annually by the LA, subject to any limits or conditions prescribed by the Secretary of State and any amounts that have to be agreed by the Schools Forum. The balance of the Schools Budget remaining after deduction of centrally retained funds is termed the Individual Schools Budget (ISB).
3. The LA will not retain any unallocated reserve within the ISB but must distribute the ISB amongst all maintained schools, using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act.
4. The financial controls within which delegation works are set out in Central Bedfordshire Council's Financial Regulations for Schools in accordance with Section 48 of the Schools Standards and Framework Act (1998) and approved by the Secretary of State.

5. The LA may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily.
6. Schools must satisfy the minimum requirements with regard to financial controls, procedures and systems in operation so far as necessary for the discharge of the S. 151 Officer responsibilities under Section 151 of the Local Government Act 1972. As this involves all financial records being maintained in school, these documents become the prime record and, therefore, are subject to a more rigorous LA and external audit.

### **Schools excess balances**

7. The School Consistent Financial Return (CFR) submission distinguishes school balances between Revenue balances between committed (B01), uncommitted (B02) and community focused reserves (B06). The balance control mechanism was re-introduced into the Scheme for Financing Schools for 2016/17, section 4.2 defines excess uncommitted balances as:

*10% (Secondary and Special) or 15% (Nursery and Primary) of the current years' individual school budget share.*

8. Following the completion of the 2016/17 financial year accounts and the submission of the consistent financial returns, schools holding surplus balances could be identified. A report was presented to the School Forum meeting of the 18<sup>th</sup> September 2018.

### **Update**

9. Forum representatives selected to review school surplus balances agreed the communication to be sent to all maintained schools holding excess balances. (Appendix A). This was followed up with a reminder on 6 October to those schools who had not yet responded.
10. Responses from schools have been reviewed and challenged where needed. Reasons for holding the balances have been summarised (Appendix B) and presented to the Director of Children's Services and Schools Forum representatives.
11. The Director has requested that a panel to be set up chaired by Leo Jones the Deputy Director for Education and Transformation and selected schools invited to attend to present their case for holding excess balances. Following that meeting (date not yet agreed) the LA will agree and advise which schools the LA will exercise their right to 'clawback' funds for redistribution to all other maintained schools. Funds will be ring-fenced to the individual funding blocks.
12. Those schools not required to attend will be required to ensure funding is spent in line with the purpose provided. Any balances which remain unspent at the end of March 2018 will be clawed back. Six of the 20 schools were chosen based on the value of the surplus balance and the quality of response.(appendix B highlighted)

Appendix A - Email sent to all Schools holding excess surplus balances

Appendix B - Summary report of Schools reasons for holding excess surplus balances

Appendix C- Email to Schools Forum nominated representative suggesting way forward