

Joint report of Strategic Director for Children, Young People & Families and Strategic Director for Resources

Balances Control Mechanism

Recommendation

The Schools Forum is recommended to:

- Note the current position on school balances
- Nominate representatives from the Schools Forum to be part of the panel to consider the cases for clawback in line with the Balances Control Policy if required
- Receive a report at its December meeting on the outcome of the panel and consider any suggestions for utilising any clawback

1.0 Purpose

- 1.1 This report informs the Schools Forum of the position of school balances and the implementation of the Balances Control Mechanism for surplus balances held at 31st March 2011.

2.0 Introduction

- 2.1 From April 2007 the Balances Control Mechanism has been in place as required by the Secretary of State. The policy is set out in the “Scheme for the Financing of Schools”¹. In Warwickshire the operation of this policy resulted in 1 school being subject to clawback last year (for balances held at 31st March 2010).

3.0 The Policy

- 3.1 Warwickshire has required schools to take a planned and managed approach to the reduction of balances. This means schools have been able to plan a reduction in balances, choosing to use resources in the most appropriate way for the individual school. Provided a school then reduces balances in line with its plans no further action has been taken. This approach means plans for using balances are developed with three-year school budgets and should be linked to School Improvement and Development Plans.
- 3.2 The governments White Paper, “The Importance of Teaching”, issued in December last year makes reference to the government’s views on claw back.

¹ Section 48 – Scheme for the Financing of Schools can be found at www.warwickshire.gov.uk/wes

3.3 The White Paper states the following:

“There will continue to be some circumstances where claw back is appropriate – for example where a school has built up an excessive balance or where some level of redistribution would support improved provision across a local area. However, consistent with a view that all schools should be moving to greater autonomy, we will remove the requirement for local authorities to have a claw back mechanism from 2011/12 and review guidance on claw back arrangements, including on the level of balances deemed to be excessive, and we will consult on making changes to the current arrangements from 2012/13.”

3.4 To date this consultation process has not taken place and whilst we have requested further information from the DfE regarding their definition of “excessive” balances, there is no clear steer as yet.

3.5 At the Schools Forum in May when DSG balances were discussed, the Schools Forum made it clear that the current policy was to be retained for any balances held at the end of March and as such the section on the Balances Control Mechanism within the revised Scheme for Financing Schools remains unadjusted.

3.6 However, as and when more guidance is received from the DfE, further reports will be brought to the Schools Forum.

4.0 Overall Position

4.1 The overall balances position for schools was as follows:

Sector	Balances at 31st March 2010 £,000	Balances at 31st March 2011 £,000s	Difference £,000s
Nursery	449	401	(48)
Primary	6,848	11,393	4,545
Secondary	5,429	9,323	3,894
Special	1,694	1,472	(222)
Total	14,420	22,589	8,169

4.2 At the 31st March 2011 total school balances were at £22,589,000; this is an increase of £8,169,000 (56.6%) from the total level of school balances at 31st March 2010. This is a concerning position and work is underway to understand the type and level of schemes that these reserves are being retained for as part of the claw back process. Whilst benchmarking data is not yet available to show how this change in schools balances compares nationally, discussions with neighboring authorities indicate that this is a wider trend, possibly as a knee jerk reaction to uncertainty regarding revenue funding and the reduced devolved capital allocations.

5.0 Implementation of the Balances Control Mechanism

- 5.1 For Infant, Junior, Primary and Special schools, the balance threshold is 8% of the following years Section 251 budget, whilst for Secondary schools this threshold is 5%.
- 5.2 As a result of these comparisons, as at the 31st March 2011, 76 schools exceeded these threshold levels (this compares to 29 at 31st March 2010). The process agreed to implement the Balances Control Policy is currently taking place and schools have been submitting their explanations. An assessment of the evidence supplied will be undertaken over the half term period and those schools potentially subject to claw back will be informed at the beginning of November.
- 5.3 On the other hand, the number of schools in deficit has reduced from 25 last year to 14 this year and the average deficit per school has decreased from £30,304 per school to £16,027 per school. The Authority has a specialist Budget Planning Officer, who focuses on helping schools either in deficit, or potentially in deficit, to improve their financial position.
- 5.4. Any resources that are clawed back are reinvested in schools (or school services) as a “one off” because the funding is not recurring. Although we do not yet know what the sum, if any, we may have, it would be helpful if the forum could identify one or two areas of possible one off investment that we could work up as costed proposals for December’s meeting.

6.0 Schools Forum Panel

- 6.1. In order to consider the cases of individual schools potentially eligible for clawback, the schools forum is requested to provide a panel of representatives. The panel should consist of:
- One primary headteacher
 - One secondary headteacher
 - Two governors
 - One other voting member of the Forum
- 6.2 At present it is not possible to confirm if this panel will be required to meet as we are still considering information from schools. It is recommended that the panel be nominated to meet during mid November subject to confirmation at a later date, should it be necessary to arrange one.

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