

Joint Report of Strategic Director, People Group and the Strategic Director, Resources Group

Update to Balances Control Policy

Recommendation

The Schools Forum is recommended to:

- Note that following the review of school balance as at 31 March 2011, no school will be subject to clawback of balances this year.
- Accept the amendment to the Balances Control Policy as set out in the report

1.0 Purpose

- 1.1 The purpose of this report is to update the Schools Forum on the outcome of the Balances Control Policy in relation to school balances at the end of 2010/11 and to recommend improvements to the policy to apply to balances as at the end of 2011/12.

2.0 The 2010/11 Position

- 2.1 At the Schools Forum in October, a report detailed the level of school balances as at the end of March 31st 2011. As noted in the report, these had risen by £8m since the previous year. Also noted in the report was that discussions with neighbouring authorities indicated that this was a wider trend, possibly as a knee jerk reaction to uncertainty regarding revenue funding and the reduced devolved capital allocations.
- 2.2 Each of the 76 schools that had exceed its threshold levels of 8% in the primary sector or 5% in the secondary sector were contacted by the Schools Funding and Strategy Team to determine how these balances were to be used in 2011/12 and were asked to provide evidence to support these cases.
- 2.3 At the end of the process, each school had provided evidence that met the requirements, either in the form of a School Integrated Development Plan, governors meeting minutes, capital project plans or salary structures. As such, there was no just cause to claw back any funds from schools. The Schools Forum will be aware that this is a position not dissimilar to that of the last two years whereby only £14,000 has been clawed back each year.

- 2.4.1 Whilst balances had increased by £8m, £3m of this was in excess of the level of balances that individual schools were permitted to retain, as per the Balances Control Policy. .
- 2.5 The first stage in managing these balances down is to understand the nature of the under spends and to assess the likelihood of the expenditure being undertaken in 2011/12.
- 2.6 An analysis of the reasons for the retention of balances is summarised in the table below.

Capital	Furniture & Equipment	Planned Building Maintenance	Staffing	Misc	Total
938,622	309,957	89,263	992,362	619,720	2,949,924

- 2.5 Whilst the amount retained for capital projects is high, this relates to 23 separate projects, some of which are relatively large schemes of which work started in the summer holidays. The furniture and equipment balances tended to be either for ICT projects or because of separate building capital schemes. In terms of the staffing balances, almost a third of the total is in relation to National Challenge funding that is set aside for school improvement and a significant amount related to One to One Tuition funding that did not need to be spent until August 2011. The Miscellaneous balances were where the schools held funds on behalf of other schools or for specific joint cluster arrangements.
- 2.6 It is the intention of the Schools Funding and Strategy Team to contact all of the schools that were subject to claw back scrutiny to ensure that these expenditure plans are in hand.

3.0 Improvements to the 2011/12 Policy

- 3.1 Whilst the claw back policy has been in place since 2007, as noted above, the level of balances clawed back has not been significant, especially in the last few years. A copy of the current policy is included as Appendix A.
- 3.2 Whilst there is a move towards an increased level of autonomy within schools, the local authority is still a champion of the learner and as such will want to ensure that funds are spent best meeting the current needs of pupils. In fact, the latest academy financial guidance regarding balances states "it is important that grant is spent as intended rather than being accumulated unnecessarily"
- 3.3 The process of assessing claw back from 2010/11 balances has highlighted how the policy is not specific enough in the requirement for

evidence, which makes virtually all requests for balance retention applicable in terms of the current criteria.

- 3.4 It is therefore suggested that the Balances Control Mechanism is amended.
- 3.5 Schools should have a reasonably accurate estimate of their likely unused balances during the spring term and any school carrying out sound financial planning should be considering the use of these balances at that period in time. As such, it is recommended that the Balances Control Mechanism Policy is amended to state that all schools should discuss and agree a range of schemes during the governors meeting in the Spring Term that, should balances be in existence at the year end, could be included in the schools plan for the next year. These schemes should then be included clearly, in a separate area, in the budget submission forms submitted to the local authority.
- 3.6 At the stage where excessive balances are calculated, these two pieces of evidence will be requested (Spring Term governor's minutes and budget submission) as evidence. As long as these schemes meet the permitted assignment criteria, the application for carry forward can be managed quite simply. This would not only make the process of assessing claw back more straight forward but would also be less onerous for schools having to supply additional information.
- 3.7 This suggestion has been taken to the Resources Policy Group who were in agreement and also mentioned in the last Schools Finance Newsletter from which there has been no adverse comments.

4.0 Conclusion

- 4.1 In order to ensure that the current Balances Control Mechanism is workable, it is recommended that the evidence required to carry forward balances is amended to be that of Spring Term Governors Minutes and a separate analysis within the budget submission clearly detailing the areas where funds from the previous year will be used in the following year. The outcome of this is that it will encourage forward financial planning, will allow the Schools Funding and Strategy Team to better enforce the Balances Control Policy in the manner in which it was developed as well as reducing the burden on schools to produce further documentation.

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