

Schools Forum

18th October 2012

School Balances as at March 2012 and Balances Control Mechanism Policy

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 cases for claw back in line with the Balances Control Mechanism Policy
- Receive a report at its December meeting on the outcome of the panel and consider any suggestions for utilising any claw back
- Agree whether to continue with a Balances Control Mechanism Policy for balances at March 2013 or to cease the policy in line with the new academy regulations

1.0 Introduction

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 2012. It details a temporary approach taken during this year and recommends that the Schools Forum decides on the approach to be taken going forward.

2.0 The Balances Control Mechanism Policy

2.1 From April 2007, The Balances Control Mechanism Policy has been in place as required by the Secretary of State. The policy is set out in the "Scheme for Financing of Schools". The operation of this policy resulted in no claw back of funds from Warwickshire schools last year.

2.2 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 will be 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

2.3 This year, maintained schools were limited to carrying forward 12% of their 2011/12 budgets. This increase to the previous arrangements, of 8% and 5% for primary/special schools and secondary schools respectively, was introduced to recognise that the implementation of the government's funding reforms may cause some turbulence in school budgets and a higher balance control threshold could serve to mitigate the effects of this. This approach was approved by Warwickshire's Cabinet in September as a temporary one year arrangement.

2.4 The overall balance position for schools as at March 2012 was as follows:

Sector	Balances at 31st March 2011 £000	Balances at 31st March 2012 £000	Difference £000
Nursery	401	342	-59
Primary	11,393	13,502	2,109
Secondary	9,323	5,121	-4,202
Special	1,472	1,166	-306
Total	22,589	20,131	-2,458

2.5 At the 31st March 2012 total school balances were at £20.131m, a decrease of £2.458m (10.9%). It is possible that the consistently high balances are a reaction to uncertainty regarding revenue funding. Secondary school balances have reduced significantly as a result of 18 schools in this sector converting to Academy status. These 18 schools account for £3.849m of the drop in balances within this phase

2.6 With the current year agreement of a threshold for all schools set at 12% of the current year's Section 251 budget, still 20 schools exceeded this level. However, this is a significant fall compared to last year when the threshold levels were set at 8% and 5% for the primary/special and secondary phase respectively. Further information on schools exceeding the threshold can be found in Appendix A.

2.7 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 investment that could be worked up as costed proposals for December's meeting.

3.0 Schools Forum Panel

3.1 In order to consider the cases of individual schools potentially eligible for claw back, the schools forum is requested to provide a panel of representatives. The panel should consist of (if possible):

- One primary head teacher
- One secondary head teacher
- Two governors
- One other voting member of the Forum

3.2 It is recommended that the panel meet during early November subject to confirmation at a later date, should this be necessary.

4.0 Future Balances Control Mechanism Policy

4.1 As with many finance issues relating to schools currently, the equity between maintained and academy schools is an issue to bear in mind.

4.2 The new "Academies Financial Handbook 2012" states that for Academy schools, balance control limits have now been removed in order to allow them to build up reserves for long-term capital projects or other projects for the benefit of their pupils. The reason behind this change is that Academies do not have the option of borrowing from the Local Authority as it is perceived maintained schools do.

4.3 However, Warwickshire no longer offer loan arrangements to maintained schools and therefore it is an option that Warwickshire also removes its Balance Control limits in order to align itself with the national agenda and to ensure the equitable treatment of maintained and Academy schools.

4.4 While the government have not set a specific limit on the amount Academies can carry forward into the next year, the Department for Education (DfE) will continue to monitor the spending of surplus balances. The Education Funding Agency (EFA) will also verify the sums of unspent funds when it checks Academy's accounts and highlight and report, to the relevant DfE Boards, any cases where it has serious concerns about a long-term substantial surplus with no clear plans for use. The Local Authority would continue a similar approach to monitor the spending of significant surplus balances through the 3 year budget submission process

4.5 This is a significant shift in the approach that WCC has formally taken in the past, although as the Forum members will be aware, we have not clawed back significant levels of funding in the past few years. However, there is the issue of

equity within the schools in Warwickshire and, as more and more schools convert to academy status, this will become more apparent.

4.6 The schools Forum is therefore asked to make a recommendation that, for the school balances as at March 2013, to either

- Retain the current policy in place since 2007 whereby there are 5% and 8% thresholds levels depending on the type of school
- Retain the temporary 12% thresholds as a means of recognising that this will concentrate on those schools with more significant balances
- Relax the thresholds entirely as is the case with academy schools from 2013/14 onwards. This offers schools the autonomy to utilise their funding in a manner that best suits them and their pupils, although the reverse consequence of this is that school balances may well increase which may appear at odds with the austerity of public finances generally

Background papers

Academies Financial Handbook 2012 - A copy of this document can be found at <http://media.education.gov.uk/assets/files/pdf/a/academies%20financial%20handbook%20sept%202012v11.pdf>

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Excess School Balances as at 31 March 2012

Appendix A

School	Excess Over 12%	Capital Work	Investment on furniture/equip ment	Planned building maintenance	Maintenance of staffing levels	Total planned spend
School 1	12,227	19,000	1,500	0	0	20,500
School 2	44,872	8,000	31,500	0	30,000	69,500
School 3	21,386	0	0	0	58,000	58,000
School 4	8,006	25,000	25,000	4,500	0	54,500
School 5	7,535	5,800	1,000	0	0	6,800
School 6	17,860	0	0	0	23,000	23,000
School 7	6,971	4,000	2,000	0	10,000	18,000
School 8	105,557	75,556	51,640	0	0	132,196
School 9	43,498	17,000	0	0	77,000	94,000
School 10	58,310	0	0	0	110,000	110,000
School 11	17,497	0	23,000	0	20,000	43,000
School 12	17,344	0	46,000	0	0	46,000
School 13	27,487	0	0	30,000	0	30,000
School 14	24,063	0	0	0	67,535	67,535
School 15	59,588	97,000	2,000	11,000	13,000	123,000
School 16	2,217	0	5,000	0	28,000	33,000
School 17	28,641	0	8,500	0	55,300	63,800
School 18	97,101	42,000	8,000	60,000	0	110,000
School 19	30,758	52,000	0	27,000	0	79,000
School 20	50,648	370,000	0	0	0	370,000
Total:	681,565	715,356	205,140	132,500	491,835	1,551,831