

# Sefton Schools Forum Report

Date of Meeting:	11 <sup>th</sup> March 2019
<b>Title of Report:</b>	<b>Review of School Balances 2017/18 - Update</b>
Presenting Officer:	Mary Johnson, Senior Finance Officer – Schools Finance
Reason for Submission to Forum:	ITEM FOR INFORMATION
Executive Summary:	The Fair Funding: Scheme for Financing Schools requires schools holding balances over the Sefton permitted levels to report to the Local Authority on the intended use of surplus balances. Schools must demonstrate that these balances are properly assigned for the specific purposes permitted by the Local Authority.
Budget/Risk Implications:	None
Recommendations:	<p>Forum is asked to :</p> <ul style="list-style-type: none"> <li>• Note the level of school balances for 2017/18</li> <li>• Note the outcomes of the Balances Control working group meetings</li> <li>• Note the comments made by the Head of Service on the DfE guidance around the control of surplus balances and the clawback mechanism</li> </ul>
Appendices (to be attached)	Appendix 1 – School Balances Analysis 2017/18
Background Papers (available on request)	<p>Fair Funding: Scheme for Financing Schools          School Forum Report ‘Review of School Balances’ 2006/07 and the introduction of a surplus balances clawback scheme from April 2008          DCSF Briefing Paper: School and Early Years Funding Arrangements 2008-11          Schools Forum Meeting 21<sup>st</sup> April 2008 – Agenda Item No.7          Schools Forum Meeting 13<sup>th</sup> June 2011 – Agenda Item No.9          Schools Forum Meeting 12<sup>th</sup> December 2011 – Agenda Item No.8          DfE briefing paper: LA Schemes for Financing Schools - Revised Scheme Guidance 2011-12          Schools Forum Meeting 31<sup>st</sup> March 2014 – Agenda Item No.8          Schools Forum meeting 29<sup>th</sup> September 2014 – AOB          Schools Forum Meeting 29<sup>th</sup> June 2015 – Agenda Item 4          Schools Forum Meeting 7<sup>th</sup> December 2015 – Agenda Item 6</p>
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SCHOOLS' FORUM POWERS & RESPONSIBILITIES

- 1 ITEMS FOR APPROVAL (DfE can adjudicate where Forum does not agree LA proposal)
- 2 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but LA decides)
- 3 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but DfE decides)
- 4 ITEMS FOR INFORMATION (No formal view of the Forum is sought)

1. Background

- 1.1 Surplus balances held by schools are permitted under the DfE Fair Funding: Scheme for Financing Schools, subject to any balance control mechanism in place.
- 1.2 Schools can only carry forward balances over and above the permitted levels under specific categories agreed by the Schools Forum and the Local Authority.
- 1.3 Schools with balances over the permitted limits are asked to give a detailed breakdown of how their excess balances are to be spent against the categories set down by the Local Authority.
- 1.4 In December 2010 the DfE published new guidance on Local Authority Schemes for Financing Schools, effective from 1<sup>st</sup> April 2011, including recommendations on changes to the operation of a school balances control mechanism.
- 1.5 At the Schools Forum meeting on 13<sup>th</sup> June 2011, members agreed to continue with the current school balances control mechanism in 2011/12, but on the understanding that officers of the Local Authority consult all schools on whether there should be a change to the school balances control mechanism effective from 1<sup>st</sup> April 2012.
- 1.6 The outcome of the consultation exercise was tabled at the School Forum meeting on 12<sup>th</sup> December 2011. Schools Forum agreed to continue to have a school balance control mechanism from 2012/13. The members voted to increase the limit for permitted balances to 12% for Nursery, Primary & Special Schools and 8% for Secondary Schools or £20,000.00 (where that is greater than either % threshold).
- 1.7 At Schools Forum on 31<sup>st</sup> March 2014, members were asked to note the document entitled, 'Policy for the challenge of schools and pupil referral units with surplus balances'. It sets out the criteria for carrying forward committed balances assigned for specific purposes permitted by the Local Authority. Where the specific purposes quoted do not meet the Local Authority's criteria or where there is insufficient evidence available, then the Schools Forum Balances Control Group may implement the clawback mechanism.
- 1.8 At Schools Forum on 29<sup>th</sup> September 2014 a consultation was opened with SAPH and SASH regarding a review of the process for analysing schools' surplus balances.
- 1.9 At Schools Forum on 26<sup>th</sup> June 2015 members agreed to formally consult with all schools on the future of the school balances control mechanism from 1 April 2016.

The Local Authority wrote out to all maintained schools on 14<sup>th</sup> July 2015 to ask for their views.

1.10 The outcome of the consultation was reported at Schools Forum on 7<sup>th</sup> December 2015. Members noted the outcome of the consultation and approved the decision to retain the current School Balances Control Mechanism in the Sefton Fair Funding Scheme for Financing Schools from 1 April 2016. To retain the limits for permitted balances of 12% for Nursery, Primary and Special Schools and PRU's; and 8% for Secondary Schools or £20,000.00 (where that is greater than either % threshold).

## 2. Review of Individual School Balances

2.1 The balances held by Sefton maintained schools at 31<sup>st</sup> March 2018 exceeded £14.15m (breakdown by school attached as Appendix 1).

2.2 School Balances for Sefton maintained schools totalled £14,150,247 at 31/3/18 (excluding the balances of converting academy schools). 40 primary schools, 2 secondary schools, 3 special schools, 2 nursery schools and 1 PRU closed with balances above the permitted levels. A total of 48 schools.

2.3 As part of the budget setting process for 2018/19 each school had until the 30 June 2018 to complete a balances proforma and return it to the Local Authority identifying how the excessive balances will be used. All schools affected were compliant.

2.4 The Schools Forum Balances Control working group met on 3 December 2018 to review the proformas for those schools with balances over 12% for Nursery / Primary / Special Schools and PRU's and over 8% for Secondary Schools. Where the group feels the information submitted is insufficient, those schools may be called to an individual meeting to provide further supporting evidence.

2.5 During this process, the Balances Control group has the power to top-slice excessive balances where these are not justified satisfactorily, and recycle the funding through the Schools Formula.

2.6 For 2018/19, the group has considered the financial pressures all schools are facing; underfunding; shortfall in high needs funding; National Funding Formula; Teachers Pay Award; National Insurance and Pension cost increases; when considering any potential clawback of balances.

2.7 At the meeting on 3 December the working group agreed to take no further action for 21 primary schools, 2 high schools, 2 nursery schools and 1 PRU. It was agreed to write to 5 primary schools and 1 special school for further information. A further 12 primary schools and 2 special schools were also written to, with the option to provide further information in the first instance. Failure to provide additional information would result in the school being called in to an individual meeting.

2.8 Following the submission of additional information by these 14 schools, it was agreed to call-in 7 schools. These schools were Our Lady of Compassion Catholic PS,

Presfield, Newfield, All Saints Catholic PS, St John's CE (Waterloo) PS, Lydiate PS, and Springwell Park PS.

- 2.9 Meetings were held on 30 January 2019 with 5 schools. St John's CE (Waterloo) PS were unable to attend the meeting, but provided additional information which was accepted by the group. All Saints Catholic PS did not attend the meeting or provide additional information. All 5 schools that attended the meetings provided satisfactory evidence of planned use of balances. The group was impressed with the standard of information and level of detail provided at the meetings. The group recommended exemption from clawback for 6 schools, apart from All Saints Catholic PS.

### **3. DfE Guidance on schools' balances and comments of the Head of Education**

- 3.1 The DfE have recently offered guidance to Local Authorities in respect of reviewing schools balances, and Forum members may wish to consider this going forward and whether there is a need to continue with any clawback mechanism (see below)
- 3.2 This guidance revision for school balances for maintained Schools will be included in the updates to Sefton's Scheme for Financing Schools, which will be sent out for consultation with Schools and Forum shortly.

#### **6.2 Controls on surplus balances**

*The scheme may contain a mechanism to claw back excess surplus balances.*

*Any mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy.*

*The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances or where some level of redistribution would support improved provision across a local area.*

- 3.2 The Local Authority will consult all schools for views on maintaining a balances review mechanism, and whether given the current financial climate, this is still worth continuing. This will be reported back to Forum, along with other updates to the Scheme for Financing schools. Schools' balances stood at £13m at the end of 2017/18 and are expected to fall to around £11m by the end of this financial year. This is partly indicative of the reliance on schools to see them through difficult times financially, dipping into them as necessary, and partly from ongoing academisation.
- 3.3 There are other complications with respect to the review of year-end balances, since many school balances may include unspent elements of Pupil Premium grant. The allocation of Pupil Premium funding is awarded on an Academic Year basis and so schools will plan to spend PP funding across two financial years. In the case of All Saints Catholic Primary School, highlighted above, if we took out the pro-rata amount

of PP funding from their year-end balances relating to the 2017/18 academic year, their surplus balances would fall just below the 12% criteria for review.

- 3.4 If a school balance control mechanism is to continue to be used then any residual PP Grant funding should be deducted from balances in advance of any review meetings.
- 3.5, The Head of Education is considering requesting that schools use excess balances first towards any requests they may wish to make for SEND top up funding, before applying to panel to consider further funding.
- 3.6 The current mechanism for clawback funding, is generally, that unless there is good reason for retaining balances above the level set by Forum, this can be top-sliced and retained in a DSG reserve, subject to recirculation across all schools via the APT formula model. To be effective, this process must be started as soon as possible after the end of the last financial year, and before consideration of formula setting for the next financial year.
- 3.7 Any funding would be recirculated to all maintained schools and Academy schools, who are included in the Formula but who retain separate balances to those held by Maintained schools and are outside of scope for the school balance control mechanism. Also, a disapplication request would need to be made to the Secretary of State, to re allocate any balances through the funding formula mechanism. Generally, such requests need to be made by the end of November.

#### 4. Recommendations

##### 4.1 Members are recommended to:

- To note the level of school balances for 2017/18
- To note the outcomes of the Balances Control working group meetings
- Note the comments made by the Head of Service on the DfE guidance around the control of surplus balances and the clawback mechanism