



# Cabinet (Resources) Panel

## 24 March 2015

|  |  |   |
|--|--|---|
| <b>Report title</b>                            | Update on School Balances  |   |
| <b>Decision designation</b>                    | AMBER  |   |
| <b>Cabinet member with lead responsibility</b> | Councillor Phil Page<br>Learning and Achievement<br>Councillor Andrew Johnson<br>Resources |   |
| <b>Key decision</b>                            | Yes  |   |
| <b>In forward plan</b>                         | Yes  |   |
| <b>Wards affected</b>                          | All  |   |
| <b>Accountable director</b>                    | Jim McElligott, Education<br>Mark Taylor, Finance  |   |
| <b>Originating service</b>                     | Strategic Financial Services   |   |
| <b>Accountable employee(s)</b>                 | Orlen Johnson<br>Tel<br>Email  | Finance Manager - Schools<br>01902 554114<br>Orlen.Johnson@wolverhampton.gov.uk |
| <b>Report to be/has been considered by</b>     | School Forum   | 15 January 2015   |

---

### Recommendation(s) for action or decision:

The Cabinet (Resources) Panel is recommended to:

1. Endorse the action taken with regard to schools with surplus balances.
2. Agree to receive a further report on Local Authority maintained schools balances for 2014/15 in September 2015.

## 1.0 Purpose

- 1.1 This is a report to update Councillors on the actions taken with regard to those schools that reported high level of balances at the end of 2013/14 following the report to Cabinet (Resources) Panel on 9 September 2014.

## 2.0 Background

- 2.1 A school's right to carry forward surplus balances is covered in Section four of the Wolverhampton Scheme for Financing Schools. Section 4.1 states that:

*'Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year'*

- 2.2 Where a school is in deficit or its financial planning information suggests that it will be in deficit, the school is required to submit an application seeking the approval of the Local Authority.

- 2.3 With regard to schools with surplus balances the Scheme for Financing Schools states:

- a) The Authority is entitled to request information on the proposed use of surplus balances from any school where surplus balances exceed 8% of the following year's budget share for primary and special schools and by 5% for secondary schools for two consecutive years or in other circumstances where, in the view of the Authority, the level of surplus balances may be cause for concern'.
- b) There is an option for claw back of schools balances subject to an arbitration process. Any decision would be made by a panel comprising:
  - a) Governor nominated by the Schools Forum.
  - b) Headteacher nominated by the Wolverhampton Schools' Improvement Partnership (WSIP) or subsequent successor,
  - c) The Strategic Director of Education and Enterprise
  - d) The Chief Financial Officer or his/her nominated representatives.

Any balances clawed back must be redistributed amongst schools in that local learning community within the City of Wolverhampton.

- 2.4 In addition the Department for Education requests Local Authorities (LAs) that have schools with excessive surpluses for information relating to the reasons behind the surpluses and an explanation of the circumstances, including details of the action the Local Authority is taking to bring about change for the future. The trigger for this additional enquiry is schools with balances in excess of 15% for more than five years.

2.5 At the end of the 2013/14 financial year schools revenue balances stood at £15.95 million. Within the city 13 schools have now had a balance over 15% of schools total income for five years meaning that the Local Authority is liable to challenge from the DfE. There were 46 schools whose surplus balances exceeded the thresholds set out within the Scheme for Financing Schools detailed in paragraph 2.3 with a total value of £7.9 million.

### 3.0 Actions taken by the Authority

3.1 As reported to Cabinet (Resources) Panel on 10 September 2015, the 46 schools with surplus balances were asked to submit a pro-forma with details of their intended use of that portion of their balance above 5% for secondary schools and 8% for other schools. Schools were required to submit these by 3<sup>rd</sup> October 2014.

3.1 37 of the 46 schools provided a response by the end of October. The outstanding schools were contacted again and responses have now been received by all schools. An analysis of the intended use of the surplus balances is shown in the table below:

| Schools             | Contribution to Capital/<br>Building works<br>£000 | ICT<br>£000 | Fixtures &<br>Fittings<br>£000 | Staffing<br>£000 | Other projects<br>£000 | Total<br>£000 |
|---------------------|--|-------------|--------------------------------|------------------|------------------------|---------------|
| Infants/<br>Primary | 1,342  | 546         | 373                            | 588              | 1,920                  | 4,769         |
| Secondary           | 301  | 85          | 362                            | 57               | 200                    | 1,005         |
| Special             | 1,208  | 25          | 127                            | 23               | 763                    | 2,146         |
| <b>Total</b>        | <b>2,851</b>                                       | <b>656</b>  | <b>862</b>                     | <b>668</b>       | <b>2,883</b>           | <b>7,920</b>  |

3.2 The responses from schools were reviewed by officers and in parallel a number of school visits were arranged to allow more detailed discussion of plans to be undertaken with the Head Teacher and Chair of Governors and in many cases to show officers how the surplus had been used. The areas covered in the review included:

- a) Was there an explanation for use of all the surplus?
- b) How did proposals link to school improvement plans?
- c) How realistic was the proposed timing of use of balances?

3.3 For the majority of responses the schools demonstrated clear plans for use of the surplus which should result in a significant reduction by the end of the current financial year. The position will be closely monitored and further reports presented to future meetings.

3.4 Follow up queries were raised with a number of schools and formal requests for additional information made to 6 schools. These have been received and provide further clarity. Further work is being undertaken with one school whose plans are based on a single major investment for which further details of the business case are awaited.

#### **4.0 Future Actions**

- 4.1 Further discussions will be held with the one school whose proposals require further investigation.
- 4.2 All? Schools have been requested to inform the Authority if their plans for use of balances have changed which may result in a significantly higher level of balances at the end of 2014/15 than previously indicated. Otherwise it is expected that the level of surplus balances should be significantly lower at the end of 2014/15. These will be reported to Cabinet or CRP? as part of the Council's outturn report in July 2015.
- 4.3 Once the accounts for 2014/15 are finalised schools with surplus balances will again be contacted for explanations. In particular any explanations for why previous plans for use have not come to fruition will be reviewed to identify any common themes.

#### **5.0 Financial implications**

- 5.1 Schools have a right to hold reasonable levels of balances and plan for the use of those balances over the medium term. Schools have been made aware that where there is evidence that there are no plans for the use of balances held and redistribution would be beneficial to the wider school community resources could ultimately be clawed back.

[OJ/13032015/C]

#### **6.0 Legal implications**

- 6.1 A school's right to hold balances is regulated by Section 45 – 53 of School Standards and Framework Act 1998 and is contained within section 4 of the authority's Scheme for financing schools, as approved by the schools forum.

[TC/09032015/D]

#### **7.0 Equalities implications**

- 7.1 The allocation of resources to schools has a major impact on a school's ability to deliver its desired outcomes and as such has implications for all pupils in the wider school community and within Education and Enterprise.

#### **8.0 Environmental implications**

- 8.1 There are no direct environmental implications as a result of the proposals of this report.

#### **9.0 Human resources implications**

- 9.1 There are no direct Human resources implications as a result of the proposals of this report, but should an element of a school's balance be clawed back for redistribution this could have implications on the resources available to meet costs of existing staffing structures.

## **10.0 Corporate landlord implications**

10.1 There are no corporate landlord implications arising from this report.

## **11.0 Schedule of background papers**

- 11.1 Cabinet (Resources) Panel report – School Balances 2013/14 (10 September 2014),
- 11.2 Schools Forum Report – Update on review of schools balances 2013/14 (15 January 2015)