

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

1 SEPTEMBER 2015

CORPORATE DIRECTOR EDUCATION AND TRANSFORMATION

SURPLUS SCHOOL BALANCES

1. Purpose of this report

- 1.1 The purpose of this report is to update Cabinet with the latest position on School Balances.

2. Connections to Corporate Improvement Objectives and Other Corporate Priorities

- 2.1 The delegation of funding to schools under the funding framework supports the improvement priority 'Working Together to Raise Ambitions and Drive Up Educational Achievement'.

3. Background

- 3.1 In September 2010 the 'School Funding (Wales) Regulations 2010' came into force. The regulations provided local authorities with new powers to direct spending or claw back monies where surplus budgets held by schools exceed £50,000 for primary and nursery schools and £100,000 for secondary and special schools. The regulations provide that the authority may require the governing body to pay all or part of that surplus to the authority to be applied as part of their schools budget for the funding period in question.

Funding is clawed back in the financial year following that in which the balance arose. Any funding clawed back is re-invested in that same financial year into school related services and facilities.

- 3.2 With the introduction of the regulations, the Council developed 'Guidance and Procedures on Managing Surplus School Balances' in conjunction with the Schools Budget Forum. The document recognises that it is prudent financial management for schools to hold a contingency balance, but that schools should be spending the great majority of their money on children that are currently in their schools. The procedures introduced allow the directorate to take strong action where schools have excessive surpluses, which are not very clearly and accurately justified, including the claw back of surplus balances.
- 3.3 Since the legislation was introduced the directorate has clawed back surplus balances totalling £690,490 as follows:

Sector	Nursery Schools	Primary Schools	Secondary Schools	Special Schools	TOTAL	No. Schools
2010-11	£26,142				£26,142	1
2011-12	£61,261	£25,000	-	£110,000	£196,261	3
2012-13		£48,000	-	£290,000	£338,000	5
2013-14	-	£33,500	-	£96,587	£130,087	8
TOTAL	£87,403	£106,500	£0	£496,587	£690,490	17

Funding clawed back has been re-invested in additional educational needs provision, in particular the provision of additional special classes in schools.

4.0 Current Situation

4.1 End of year balances for Bridgend schools for the last three years is shown in the table below with a full breakdown of the 2014-15 balances provided in Appendix A.

	Nursery £000	Primary £000	Secondary £000	Special £000	TOTAL £000	% of Funding
2012-13	27	1,328	1,703	680	3,738	4.2
2013-14	0	1,145	829	493	2,467	2.67
2014-15	0	1,571	401	438	2,410	2.66

4.2 For the 2014-2015 financial year there were 13 primary, 5 secondary and 2 special schools with balances in excess of the statutory limits. The total 'surplus' which could potentially have been clawed back was £836,000. Individual schools' balances are reported annually to the School Budget Forum and the total of balances for Primary, Secondary and Special Schools is reported to Audit Committee as part of Statement of Accounts in June (draft) and in September (actual). Governing Bodies also receive annual reports on school balances as part of the Autumn term report of the Corporate Director, Children.

4.3 In line with the 'Guidance and Procedures on Managing School Surplus Balances', schools submitted detailed information setting out how they intended to use their surplus balances. This was supported by minutes from governing body meetings, supplier quotes and copies of orders and invoices. The submissions identified a number of proposed uses for the surplus balances, including:

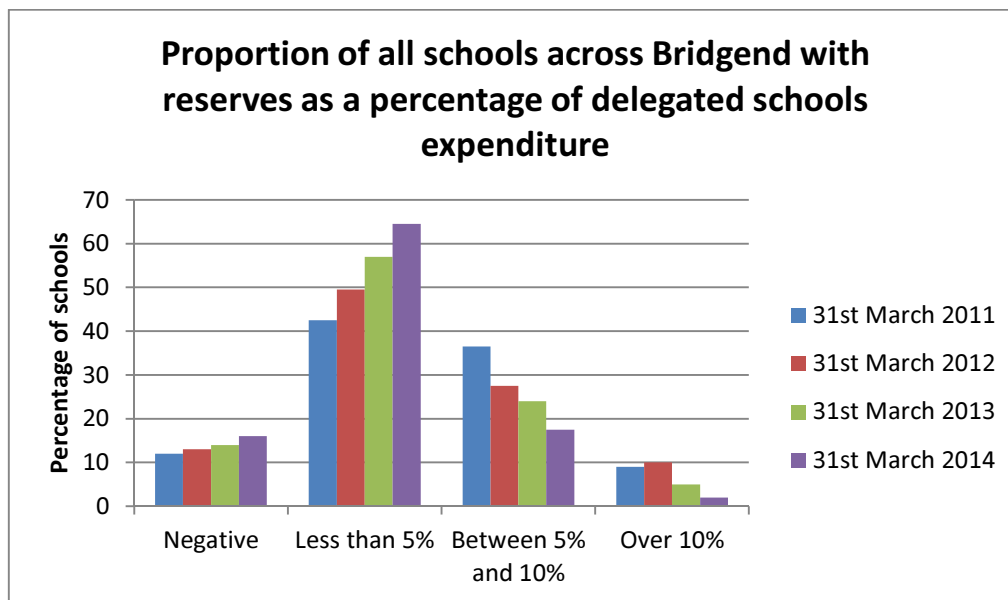
- Purchase of resources and equipment
- Refurbishment of toilets
- ICT improvements
- Employment and retention of staff, including teachers and support staff
- Installation of canopies
- Other building related expenditure, including replacement doors, windows, fencing.

4.4 The submissions have been reviewed by the Corporate Director Education and Transformation and the Finance Manager, Children Services.. A decision has been reached to clawback £210,755 from a secondary school. The local authority recognises the need for schools to hold a contingency balance, and the level of this can vary according to the size of the school and its associated budget allocation.

- 4.5 No formula is used to calculate the clawback or ascertain if clawback is required. Each school balance has been reviewed individually together with proposals of how the balance is to be used. If it has been deemed that clawback was required, a decision was then made on how much would be appropriate to claw back.
- 4.6 Balances as a percentage of funding was reviewed for each school, but this wasn't the main determining factor. A decision on clawback was made on an individual basis.
- 4.7 There is no formal appeals process but each school has been given the opportunity to provide further evidence and meet with the authority in order to discuss the proposed clawback. If the evidence provided was deemed significant enough to change the original proposed clawback, then the amounts were reduced. Again, this was determined on an individual basis.
- 4.8 The Welsh Government produces an annual statistical release on the level of school balances across Wales. The statistical release identifies the proportion of schools with:

- Negative balances
- Balances under 5%
- Balances between 5% and 10%
- Balances over 10%

The table below shows the proportion of Bridgend schools in each of these categories since March 2011:



It is clear that there are increasingly more schools with deficit balances and balances less than 5% in recent years, than there are with balances over 5% and over 10%. This corresponds with the reducing level of balances overall across schools.

- 4.9 In 2015-16 a number of school grants, including the Foundation Phase, School Effectiveness Grant, Welsh in Education Grant, 14-19 Learning Pathways grants

were combined to form the Education Improvement Grant (EIG). The overall value of the grant has been reduced, when compared to last year, and some schools are utilising their balances to continue to maintain staffing levels, particularly in the Foundation Phase.

5.0 Effect upon policy framework & procedural rules

5.1 There is no impact on the Council's Policy Framework and Procedure Rules.

6.0 Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7.0 Financial implications

7.1 These are reflected in the report.

8.0 Recommendations

8.1 It is recommended that Cabinet note the content of this report.

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Background Papers

Guidance and procedures on managing surplus school balances

Individual 'Analysis of Balances for Schools in Excess of Statutory Limits' proformas from schools.

Welsh Government Statistical Release "Reserves held by Schools in Wales at 31 March 2014"