



Schools Forum

Date: 21 June 2018

Time: 8:30 a.m.

Venue: Shrewsbury
Training and Development
Centre

Paper

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Public

Control on Surplus Balances

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Summary

Shropshire's Scheme for the Financing of Schools includes a balance control mechanism as agreed with Schools Forum.

Local authority maintained schools holding surplus revenue balances above the threshold levels (8% primary and special schools, 5% secondary schools) for three consecutive years are subject to the control on balances mechanism.

Any balances clawed back are recycled within the overall Schools Budget for the benefit of Shropshire pupils.

Recommendation

This report:

- details the individual school balances subject to the control on balances mechanism at March 2018, for information only; and
- recommends Schools Forum agree to consulting Shropshire maintained schools on the removal of the control on surplus balances mechanism from Shropshire's scheme for the financing of schools.

REPORT

1. Individual local authority maintained schools holding surplus revenue balances above the threshold levels for the past three consecutive years were notified in September 2017 that the local authority, in line with Shropshire's Scheme for the Financing of Schools, would claw-back any remaining revenue balance above the threshold level at the end of the financial year 2017-18. This notification followed 'early notification' letters sent to the relevant schools in September 2016.
2. It is recognised by the local authority that there may be some exceptional circumstances that require schools to retain a revenue balance above the

prescribed threshold levels. The local authority has taken exceptional circumstances into account where appropriate.

3. A schedule of the schools subject to the claw-back mechanism at the end of the financial year 2017-18 and the allowed exceptional circumstances, where agreed, is detailed in a confidential appendix to this report which will be tabled at the meeting.
4. No balances were clawed back at the end of the 2017-18 financial year.
5. The following table summarises the number of schools holding surplus balances above their threshold level for three consecutive years. Claw-back is applied at the end of the following year if the school has not spent the balance or had approval to hold it as an exceptional circumstance.

	March 2014	March 2015	March 2016	March 2017
Primary	12	11	21	16
Secondary	0	0	1	0
Special	0	0	0	0
Total	12	11	22	16
Shropshire Maintained Schools Balances	£5.6m	£4.4m	£7.2m	£6.2m

6. Of the 16 schools holding surplus balances above their control on balances threshold level for three consecutive years as at 31 March 2017, seven primary schools continued to hold a surplus balance above their threshold level at March 2018 and were therefore subject to claw-back.
7. All seven primary schools put forward cases for exceptional circumstances which were agreed by the local authority. A brief summary is included in the confidential appendix.
8. There are 19 primary schools and one secondary school subject to the claw-back mechanism in 2018-19.

Consultation on the removal of the control on surplus balances mechanism from Shropshire's scheme for the financing of schools

9. The Department for Education (DfE) removed the requirement for local authority schemes for the financing of schools to include a balance control mechanism from April 2011. Following consultation with Shropshire maintained schools, Shropshire Schools Forum agreed the continued inclusion of a control on surplus balances mechanism within Shropshire's scheme to ensure funding is spent on the pupils generating it.
10. Since 2011-12 actual clawback of balances has only been applied once to one school at March 2017 where a balance above the clawback threshold had been held for six consecutive years and exceptional circumstances had already been granted for the two previous years. In all other instances, schools have made a

case for exceptional circumstances and have spent the surplus balances in the following financial year. The majority of exceptional circumstances approved by the local authority related to use of revenue reserves for on-going building improvements and support to the following year's budget plan following a fall in numbers on roll.

11. Whilst there has been a very small number of actual instances of clawback, the control on surplus balances mechanism has focused governing bodies' on the effective planning of surplus balances. However given the move to increased autonomy for schools, it is proposed that Shropshire schools and Schools Forum are consulted on whether to remove the control on surplus balances mechanism from within Shropshire's scheme for the financing of schools and replace with the following wording, consistent with the DfE's wording in school benchmarking reports:

'Keeping a modest balance from year to year is prudent, but if a school is building up a substantial surplus there should be a clear plan for how it will be used to benefit pupils.'

12. Schools Forum is recommended to agree to consulting Shropshire maintained schools on the removal of the control on surplus balances mechanism from within Shropshire's scheme for the financing of schools with effect from 2018-19 and replace it with the wording above. Responses to the consultation will be considered by Schools Forum and a recommendation to the local authority made.