

<p style="text-align: center;"><b>Report to Hartlepool Schools' Forum 23rd October 2013</b> <b>From Dean Jackson (Assistant Director – Education )</b></p>
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**Agenda Item 9 - School Balances Review**

**1. Introduction**

- 1.1 At the last Forum meeting on 11<sup>th</sup> September 2013, Forum Members were presented with a report highlighting the level of school balances as at 31<sup>st</sup> March 2013 (attached at **Appendix A**). The report showed how schools had separately identified the value of committed and uncommitted balances against previously approved headings.
- 1.2 In this report, Forum Members were presented with a range of options for discussion which they agreed to take to colleagues and then bring back comments/suggestions to this meeting.
- 1.3 These areas were
- do Forum feel that the current scheme is robust enough to challenge schools and whether it is fit for purpose?
  - do Forum feel that the permitted categories of expenditure are appropriate and whether any amendments are required for future surveys eg Long Term Sickness Absence Reserve/ Change in Pupil numbers are technically same as Setting School Budget? Whether this category should be split over financial years?
  - In order to effectively challenge school balances whether the initial report on the use of school balances is presented at the June Schools Forum. An additional survey could then be issued in the Autumn Term which could update the use of balances and the projected outturn and be presented to the January Forum meeting.
  - If Forum wished to challenge balance surveys, and if appropriate, recommend claw back where it was felt that schools had not substantiated the need to keep school balances

**2. For Discussion**

- 2.1 Forum Members are asked to feedback the results of their discussions with colleagues and to determine how and when school balances should be monitored in the future.

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**Agenda Item 5 - School Balances Survey as at 31<sup>st</sup> March 2013**

**2. Introduction**

- 1.3 At the last Forum meeting on 19<sup>th</sup> June 2013, Forum Members asked that the report on School Balances due in September ( this report) would include a retrospective challenge on the 2012/13 balances survey.

**3. Background**

- 2.1 In 2008 the Department for Education ( DfE) made it mandatory for all Local Authorities to include surplus balance controls as part of its remit. The DfE recommended that schools could hold onto a general reserve of up to 8% of their following year's budget for a Primary school and up to 5% for a Secondary school. Balances in excess of these percentages could be clawed back by Local Authorities to be reallocated to all schools. Local Authorities were given flexibility in how they wished to implement the process of claw back. It was agreed that for Hartlepool the Schools Forum would undertake the challenge of schools balances.
- 2.2 Schools' Forum members agreed that schools would be given the opportunity to earmark or commit balances against permitted categories which were agreed by Schools' Forum. The agreed categories are:
- Setting of school budget – split into current year and future years
  - Information Technology and Communications expenditure
  - Improvements to Premises
  - Contribution to major capital projects
  - Set aside to cover changes in pupil numbers
  - Workforce remodelling
  - Long Term Sickness Absence Reserve
  - Special Projects (Details to be provided)
- 2.3 Schools complete an annual balances survey indicating how they plan to use their balances.
- 2.4 Forum agreed that after these commitments were made, schools would then be permitted to hold onto a general reserve of up to 8% of their following year's budget for a Primary school and up to 5% for a Secondary school.

**3 Analysis of 2012/13 Balances Survey**

- 3.1 Schools' Forum members requested a review of the 2012/13 balance survey to see whether they reflected the final position.

## APPENDIX A

- 3.2 At the end of 2011/12, the total amount of funding that was held in school reserves in Hartlepool was over £6.8 million. Over £4 million of this was identified in the schools balance survey to be spent in the 2012/13 financial year with the remainder being declared as being for future years or to be held as a general reserve. This is summarised below.

Forecast Position				Actual Position	
Sector	Balance as at 31.03.12	Balances Earmarked for Use in 2012/13	Forecast School Balances as at 31.03.13	Actual Balances as at 31.03.13	Increase/(decrease) in balances against prediction
	£	£	£	£	£
Nursery	35,099	26,000	9,099	4,092	-5,007
Primary	4,077,700	2,450,567	1,627,133	3,403,166	1,776,033
Secondary	2,069,947	1,216,541	853,406	1,537,623	684,217
Special	636,458	404,000	232,458	537,299	304,841
<b>Total</b>	<b>6,819,204</b>	<b>4,097,108</b>	<b>2,722,096</b>	<b>5,482,180</b>	<b>2,760,084</b>

- 3.3 The actual position at the end of 2012/13 showed that school balances had reduced, but only by £1.3 million (£6,819,204 less £5,482,180) and not by the £4 million that was reported to the Schools Forum in September 2012.
- 3.4 It is not clear whether the balances of £4m earmarked for use in 2012/13 were used and that a contribution of nearly £3m was made to balances from the 2012/13 budget. Or whether balances were not used as previously indicated by schools
- 3.5 It is difficult to review this position retrospectively and the next section looks at arrangements for improving management of balances in future years.

## 4 2013/14 Balances Survey

- 4.1 Five Hartlepool schools have converted to Academy status. They are not required to submit a return, but they were invited to do so. Four of the five schools have provided a balances survey.
- 4.2 The previous report to Schools' Forum in June 2013 confirmed school balances were £5,482,180 at 31.03.13 (£6,819,204 at 31.03.12). Following analysis of the Schools Balances Survey this can be split between committed and uncommitted balances as at 31<sup>st</sup> March 2013 (attached as Appendix 1). This is summarised below for information:-

## APPENDIX A

Sector	Balance as at 31.03.13	Balances Earmarked for Use in 2013/14	Balances Earmarked for Use 2014/15 onwards	General Reserves	% Balance reported as General Reserves
	£	£	£	£	
Nursery	4,092	4,092	0	0	0
Primary	3,403,166	2,030,120	236,413	1,136,633	3.70%
Secondary	1,537,623	789,862	676,015	71,746	1.30%
Special	537,299	106,070	431,229	0	0
<b>Total</b>	<b>5,482,180</b>	<b>2,930,144</b>	<b>1,343,657</b>	<b>1,208,379</b>	

- 4.3 Before this additional analysis, 19 Primary Schools exceeded the 8% guideline, two Secondary Schools and the Secondary Special School had exceeded their 5% guideline. Had schools not been given the opportunity to give reasons and justification why they considered they needed to hold onto balances above the Department for Education's permitted limits, this could have led to a claw back of funding of over £2.6 million. This funding would have been reallocated to all schools as one off funding.
- 4.4 Following the additional analysis no school exceeds the agreed balance limits.
- 4.5 Schools were also invited to give an indication of what their projected outturn is likely to be for the 2013/14 financial year, along with planned use of balances into 2014/15 onwards. This gives the Local Authority and members of the Forum an indication of which schools consider that they are required to hold onto balances beyond the current financial year.
- 4.6 The following Section seeks feedback from the Forum on the process of managing balances in future years.

## 5. For Discussion

- 5.1 Forum Members are asked
- do they feel that the current scheme is robust enough to challenge schools and whether it is fit for purpose
  - Whether they feel that the permitted categories of expenditure are appropriate and whether any amendments are required for future surveys eg Long Term Sickness Absence Reserve/ Change in Pupil numbers are technically same as Setting School Budgets. Whether this category should be split over financial years

## **APPENDIX A**

- In order to effectively challenge school balances whether the initial report on the use of school balances is presented at the June Schools Forum. An additional survey could then be issued in the Autumn Term which could update the use of balances and the projected outturn and be presented to the January Forum meeting.
- If they wished to challenge balance surveys, and if appropriate, recommend claw back where it was felt that schools had not substantiated the need to keep school balances