

Report to: Children, Young People and Families Scrutiny Committee Cabinet

Date: 12 November 2009 and 19 November 2009

Subject: Redistribution of School Balances

Report of: Joint Report of Executive Directors of Children and Young People's Services and Business Support Services

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Purpose / summary: To inform Cabinet of the level of School Balances as at 31st March 2009, and consider options in respect of those balances deemed to be excessive, as per the Council's Scheme for Financing Schools.

Alternative options considered and reason for selecting the one recommended: The alternative option would be to take no action. This option would not be considered appropriate, as it may encourage schools to accumulate more balances in the future, which would impact on the Council's value for money assessment.

Recommendation / decision: To redistribute the excess school balances identified within this report in the 2010/11 schools budget.

Key Decision: This report does not involve a key decision. The decision made as a result of this report will be published within **48 hours** and cannot be actioned until **seven working days** have elapsed, ie before 30th November 2009.

Risks / Implications:

Financial:	All funds to be contained within the Schools Budget.
Staffing:	None
Policy:	None
Equal Opportunities - Has a Diversity Impact Assessment been conducted?	N/A
Wards affected:	N/A

Property Implications– Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation? No

Does this proposal have significant implications for the Council and the local population? No

Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure? No

Has the Director of Legal and Property Services confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution? **Yes**

Has the Director of Finance and IT confirmed that any expenditure referred to within this report is consistent with the Council’s budget? **Yes**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

* delete which applicable

For Cabinet reports only :

Categorisation of the report:	x
Discussion leading to a decision	
Monitoring	
Sharing for corporate understanding	

	x
Discussion	
Decision	x
Information	

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
12.11.09		19.11.09	

List of Background Papers in accordance with Section 100D of the Local Government Act 1972:

Scheme for Financing Schools
School Balances Returns 2005/06, 2006/07, 2007/08 and 2008/09.

Proper Officer 

1. Introduction

- 1.1 There has been an upward trend in school balances for a number of years and an action plan was put in place to address this issue. In 2006/07, the first year of the plan, it was successful and balances reduced by £1.1m. However, this pattern was reversed in 2007/08, as delegated budget balances increased by approximately £2.1m to £8.2m. In addition, a further £3.8m of Standards Fund grant was carried forward, for expending by 31st August 2008. In 2008/09 delegated budget balances increased again by £1.5m to £9.7m. Balances in relation to Standards Fund grant of £3.3m were carried forward for expending by 31st August 2009.
- 1.2 The DCSF is concerned about the national level of school balances and is considering the introduction of a national scheme to recover and redistribute school balances. The DCSF proposal is a 5% levy on all year end balances. However, this proposal has been deferred until the next multi-year budget period. DCSF are clear that the scheme will be introduced, if local authorities do not use their powers to recover and redistribute excess balances during 2008 - 11.
- 1.3 The Scheme for Financing Schools in Wigan contains regulations for the control of surplus balances. Under the scheme, schools may retain balances up to a maximum level dependant on the value of the school budget. Use of balances above this maximum threshold must meet specific criteria laid down in the Scheme.

2. Assessment of School Balances

- 2.1 During 2007/08 all schools were reminded verbally and in writing on numerous occasions that the Council would use its powers to recover and redistribute school balances if they increased once again. Despite this effort, a number of schools did not use their balances. An exercise to assess the proposed use of balances was undertaken and a number of schools were unable to provide sufficient proof that the funds are committed in the 2008/09 financial year.
- 2.2 The outcome of the 2007/08 school balances assessment exercise resulted in the recovery of balances from one nursery school and fifteen primary schools, totalling £273,813.
- 2.3 An exercise to assess the 2008/09 school balances has also been undertaken. To facilitate the exercise, all schools were asked to provide detailed information, including documentary evidence, of their proposed use of balances in accordance with the permitted categories identified in the Scheme for Financing Schools.
- 2.4 Officers from Business Support Services have examined and validated as far as possible the school based information and, where appropriate, are recommending that the Council uses its powers to recover excess balances. In undertaking this exercise due consideration has been given to future spending commitments. The purpose of the exercise has been to recover

excess balances and not undermine the financial viability of those schools affected.

- 2.5 The table below summarises the value of 2008/09 excess balances and outcome of the balances assessment exercise. The sum identified for clawback represents reported use of balances outside the Scheme criteria for use of excess balances.

	Total sum of excess balances £	No of schools	Total sum identified for clawback £	No of schools
Nursery	67,053	2	3,117	1
Primary	1,784,619	66	41,402	11
Secondary	1,092,774	9	0	0
Special	249,774	6	0	0
TOTAL	3,194,220	83	44,519	12

- 2.6 The outcome of this exercise suggests that schools have firm plans for their use of balances. The use of balances by schools during 2009/10 will continue to be scrutinised by Business Support Services officers as part of the routine quarterly monitoring of school budgets in an attempt to reduce the level of balances at the end of 2009/10.

3. Recovery and Redistribution of Balances

- 3.1 At the Schools Forum meeting on 22nd May 2008, endorsement was given to the Local Authority to implement its balances recovery scheme, in respect of excess balances accumulated by schools.
- 3.2 Subject to the approval of this report, the governing body of all affected schools will receive a letter stating the amount of 2008/09 balances to be recovered, as summarised at 2.5 above, and the reason.
- 3.3 Any recovery of school balances must be re-invested in the ring-fenced Schools Budget. Schools Forum agreed to redistribute the £273,813 recovered from 2007/08 school balances in 2009/10 to all schools not subject to clawback. Schools Forum will be asked to consider an appropriate use for recovered 2008/09 balances.

4. Recommendations

- 4.1 The accumulation of excessive school balances represents poor value for money. Schools are expected to use their annual revenue funds to meet the needs of the children currently in school. Ideally, revenue funding should meet the operational costs of schools, and not be accumulated to make significant contributions to capital costs, as there are other funding streams available for capital expenditure, such as Devolved Formula Capital.
- 4.2 It is recommended that Cabinet approve the recovery of £44,519 excess school balances as detailed in this report. Cabinet are asked to note that this funding is part of the ring-fenced Schools Budget and as such this money will be redistributed to schools in 2010/11.