
**Manchester City Council
Report for Resolution**

Report to: **Schools Forum**

Subject: **School Balances update**

Report of: **Head of Finance for Adult Services Directorate and Children's Services Directorate.**

Summary

In July 2018's School Forum were provided with a detailed analysis of school's excessive balances, which has increased by £2.1m since 2016/17. It was agreed that the Local Authority (LA) needed to establish if excessive balances have been properly assigned. Where resources cannot be proven to have been properly assigned clawback of these Funds would be considered.

Currently Schools Forum has the right to clawback excess balances under the Scheme of Finance for Schools if they are not deemed to be properly assigned.

Recommendations

Manchester's increasing level of school balances does not support the City's case for sufficient funding for additional need following the full implementation of the national funding reforms, scheduled 2020/21 onwards.

As previously reported to Schools Forum, Dedicated School Grant (DSG) finished with a deficit 2017/18 of £769k and is projecting £2.9m overspend this year and c.£2m pressure in the high needs block next year.

All School Forum members are asked to:

- Note and comment on the reported process followed to establish if excessive balances have been properly assigned.
- Note and comment on the outcome from the process.
- Note that there are on-going discussions with three schools where further information is required to determine if excessive funds are properly assigned.

Maintained School Forum members are asked to:

- Decide if clawback is to be applied where it has been established the resources are not properly assigned. (para.2.5)
- Agree that the clawback, if approved is allocated to off-set the 2017/18 DSG deficit.

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1. INTRODUCTION

- 1.1 Annually an analysis of school's reserves is completed for each maintained school that has an excessive balance. Schools' balances are deemed excessive if the surplus is higher than the allowable balance, whereby the allowable balance is deemed to be 8% of the budget share for nursery, primary and special schools, and 5% of the budget share for secondary schools. Manchester's balance mechanism is provided in Appendix 1 of this report.
- 1.2 The analysis of reserves review 2017/18 shows that overall school balances have increased by £2.1m since 2016/17. Table one outlines the excessive balances for 2017/18 by phase on all schools above the *allowable* balance. Table one shows that the primary sector has an overall increase in their excess balances, whereas the other sectors have reduced.

Table one: Excess Balances by Phase

	Schools Excess Balance					
	2017/18		2016/17		Variance Year on Year	
	No.	£000's	No.	£000's	No.	£000's
Nursery	1	150	1	250	0	-100
Primary	54	10,807	44	7,975	10	2,832
Secondary	3	474	4	812	-1	-338
Special	7	1,443	8	1,710	-1	-267
Total	65	12,874	57	10,747	8	2,127

2. REVIEW PROCESS

- 2.1 Schools with excessive balances were split into four categories based on the level of the school's balance as a percentage of their budget share for the current financial year 2018/19. Appendix 1 shows this at school level.
- 2.2 A letter has been sent to all the schools included in table two (below) in the autumn term, addressed to the Head and the Chair of Governors explaining the process. In order to establish whether the excessive balances were properly assigned, various follow up actions were applied to schools in category A to D. Table two below shows the schools by sector that fall within each category and the action applied.

Table two

Category	Year End Balance % of Budget Share	Action	Total	Primary	High	Special
A	8% - 14%	Letter	32	28	2	2
B	15% - 19%	Letter, plus visit from QA Officer	12	10	0	2
C	20% - 29%	Letter, plus visit from QA & Finance Officers	8	7	0	1
D	Above 30%	Letter, plus invite to meeting at Town Hall	8	8	0	0

- 2.3 Category A: schools have provided commitments for £1.9m of their excessive balances in the analysis of reserves form submitted earlier this year.
- 2.4 Category B: schools have provided commitments for £1.3m of excessive balances so far, which have either been spent or properly assigned. Following the letters in the autumn term, schools in this category have been contacted by the Senior Schools Quality Assurance Officers (SSQA) for a meeting to include discussion regarding the balances. The majority of visits have taken place, with only two left to be confirmed. One of the schools included above has now converted to academy status. Based on information provided to date the excessive balances in this category have either been spent or properly assigned.
- 2.5 Category C: visits to these schools by SSQA and Principal Finance Lead in the autumn term so far have shown that balances of £0.92m have been spent or properly assigned. There are three school visits which will take place later this month, where the excessive balances total £801k.
- 2.6 Category D: all but one of the eight schools have attended a Support and Challenge meeting at the Town hall with senior management and a Schools Forum representative. Three of the schools have properly assigned funds of £1.3m which will be spent this financial year on projects. Two of the schools in this category have voluntarily agreed a £0.779m clawback. The same schools have requested that the LA earmark £1m of their reserves for much needed development of SEN resource provision and interventions rooms. There are on-going discussions with three schools where further information is required to determine if excessive funds are properly assigned.
- 2.7 Appendix 1 gives the details at school level by category.

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 Manchester's increasing level of school balances does not support the City's case for sufficient funding for additional need following the full implementation of the national funding reforms, scheduled 2020/21 onwards.
- 3.2 As previously reported to Schools Forum, Dedicated School Grant (DSG) finished with a deficit 2017/18 of £769k and is projecting £2.9m overspend this year and c.£2m pressure in the high needs block next year.
- 3.3 All School Forum members are asked to:
- Note and comment on the reported process followed to establish if excessive balances have been properly assigned.
 - Note and comment on the outcome from the process.
 - Note that there are on-going discussions with three schools where further information is required to determine if excessive funds are properly assigned.
- 3.3 Maintained School Forum members are asked to:
- Decide if clawback is to be applied where it has been established the resources are not properly assigned. (para.2.5)
 - Agree that the clawback, if approved is allocated to off-set the 2017/18 DSG deficit.

Appendix 1

DFE NO	Type	School	YEAR END BALANCES (Revenue & Capital) 2017-18 £	EXCESS BALANCES - Capital & Revenue 2017-18 £	YEAR END BALANCE as % of BUDGET SHARE %	Estimated Clawback	Properly Assigned
Category D							
2129	CY	Heald Place	2,555,930	2,295,311	78%	£500k	Y
3440	VA	St Edmund's RC	688,757	596,786	60%	n/a	Y
2302	CY	Pike Fold	846,699	672,274	39%	meeting tbc	
2010	CY	Ashbury Meadow	782,021	619,552	39%	£279k	Y
3506	CY	Park View	671,000	503,270	32%	further meeting planned	
3415	VA	St Aidan's Catholic	358,529	267,963	32%	n/a	Y
2161	CY	Mauldeth Road	576,018	422,457	30%	n/a	Y
2068	CY	Claremont	945,953	692,198	30%	On-going discussions	
				6,069,812			
Category C							
3455	VA	St Margaret Mary's RC	412,574	293,969	28%	meeting: 12 Nov'18	
3464	VA	Sacred Heart Catholic Baguley	301,132	213,932	28%		Y
2076	CY	Crowcroft Park	279,825	185,910	24%	meeting tbc	
2278	CY	Varna Street	496,397	321,901	23%	meeting: 6 Nov'18	
2328	CY	Birchfields	672,270	428,953	22%		Y
3418	VA	St Ambrose RC	210,974	131,031	21%		Y
3491	VA	Saviour CofE	242,211	148,606	21%		Y
				1,724,301			
Category B							
3015	VC	St Chrysostom's CofE	391,343	228,271	19%	meeting tbc	
3011	VC	St Augustine's CofE	222,388	127,828	19%		Y
7023	CY	Camberwell Park	460,898	262,617	19%		Y
3472	VA	St Willibrord's RC	228,276	123,338	17%	meeting tbc	
2249	CY	Irk Valley	375,321	198,530	17%		Y
3043	VC	Armitage CofE	340,842	170,386	16%		Y
2048	CY	Acacias	314,029	153,044	16%		Y
3469	VA	St Wilfrid's RC Hulme	157,000	76,041	16%		Y
7749	CY	Ashgate	317,683	151,097	15%		Y
3325	VA	St Philip's CofE	164,495	77,343	15%		Y
2296	CY	Crab Lane	293,535	136,072	15%		Y
				1,704,566	0		

Category A							
3422	VA	St Anne's RC Crumpsall	286,335	127,823	14%		Y
3003	VC	Chorlton CofE	140,643	60,894	14%		Y
2001	CY	Abbott	167,609	72,563	14%		Y
3041	VC	St Agnes CofE	291,699	125,137	14%		Y
3042	VC	St Clement's CofE	160,567	67,651	14%		Y
3434	VA	St Chad's RC	149,139	60,879	14%		Y
2186	CY	Northenden	133,333	54,413	14%		Y
3490	VA	CofE of The Resurrection	151,966	60,456	13%		Y
7061	CY	North Ridge High	363,640	137,831	13%		Y
3028	VC	St Mary's CofE Moss Side	267,581	98,359	13%		Y
3475	VA	Our Lady's RC	120,180	41,728	12%		Y
3022	VC	St Margaret's CofE	310,819	101,969	12%		Y
2075	CY	Crosslee	223,688	70,170	12%		Y
2184	CY	New Moston	264,782	74,509	11%		Y
3408	VA	Holy Name RC	99,737	27,044	11%		Y
2234	CY	Ravensbury	231,295	61,675	11%		Y
3045	VC	St John's CofE Longsight	207,027	52,987	11%		Y
3439	VA	St Dunstan's RC	168,229	38,484	10%		Y
3039	VC	St Paul's CofE	153,200	33,506	10%		Y
3446	VA	St John Bosco RC	112,700	24,210	10%		Y
7041	CY	The Birches	262,782	51,909	10%		Y
3504	VA	St Anne's RC Ancoats	105,035	20,266	10%		Y
3505	VA	Sacred Heart RC Gorton	133,865	23,528	10%		Y
3316	VA	St James' CofE Birch-in-Rusholme	98,137	14,497	9%		Y
2060	CY	Charlestown	193,327	25,261	9%		Y
2165	CY	Moston Lane	195,507	22,289	9%		Y
2288	VC	Cheetwood	97,547	10,348	9%		Y
2006	CY	Alma Park	192,433	19,728	9%		Y
3489	VA	St John's RC Chorlton-Cum-Hardy	156,898	14,925	9%		Y
3501	VA	St Clare's RC	177,987	15,371	9%		Y
4768	VA	The Barlow RC High	448,318	197,204	9%		Y
4753	VA	Loreto High	402,327	167,616	9%		Y
				1,975,230			

Appendix two

MANCHESTER'S BALANCE CONTROL MECHANISM

- 1.0 Section 4.2 of the Scheme for Financing Schools stipulates 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. School balances are part of the City Council's general reserves and may be used to support the overall financial requirement of the City Council but subject to the absolute undertaking that the balances will always be available for the use of school governing bodies when required.
- 1.1 Surplus balances held by schools, as permitted under this scheme, are subject to the following restrictions with effect from 1 April 2007:
- a) The Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
 - b) The Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and any unspent Standards Fund grant for the previous financial year;
 - c) The Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority as listed at Annex D of the scheme, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
 - d) **If the result of steps a-c is a sum greater than whichever is the greater of 5% of the current year's budget share (secondary schools) or 8%** (primary and special schools), or £10,000 (where that is greater than either percentage threshold), then the Authority shall deduct from the current year's budget share an amount equal to the excess.
- 1.2 For schools that hold balances greater than the Authority's recommended guideline the Authority shall be empowered to deduct from the current year's budget share a percentage of the excess surplus balances (clawback) as agreed following consultation with Manchester's Schools Forum.
- 1.4 The Local Authority has applied the balance control mechanism to all balances and all schools deemed to have an excess balance have confirmed that the balances are

held for a specific purpose/s. However a number of schools have been holding excessive balances for a number of years. In order to establish whether the balance is properly assigned or not the Local Authority has:

- gathered/requested further confirmation in the autumn term timelines associated with planned spend
- looked at school outcomes where the budget has not been spent on improving outcomes.