

SCHOOLS FORUM

Date of Meeting: 12th October 2017

Subject: Schools Outturns Reportable Surplus Review 2015/16 & 2016/17

Report of: Joanne Elcock

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Confidential: Not applicable

Introduction and Context

Under the Schools Standard and Framework Act and the Scheme for Financing Schools, Local Authorities (LA's) in conjunction with their Schools Forum are required to review and challenge the level of surpluses held in individual schools.

Summary

This report provides details of:

1. the outcome of the verification of spend in line with submissions from schools for the planned use of their 2015/16 reportable surplus balances
2. school submissions on the proposed planned use of their reportable surplus balances for 2016/17

Recommendations

Forum note that the planned spend outlined for 2015/16 has been verified for 11 schools and note the reasons for delay or deferral for 8 schools.

Note that all schools with a reportable surplus as at 31st March 2017 have submitted plans for the use of the reportable surplus amounts from 2016/17. All schools proposed spend is deemed eligible.

The LA is not recommending there is any clawback from schools in relation to either year.

Implementation Date:

Date of Meeting

Reference to Key Documents/Previous Papers:

Report to the Schools Forum

Date 12th October 2017

Title Schools Outturns Reportable Surplus Review 2015/2016 and 2016/17

Report for Decision

1. Purpose of Report

- 1.1. This report summarises the information regarding the overall level of surpluses and the latest position on the review of planned spend provided by those schools with a reportable surplus from 2016/17.
- 1.2. In addition conclusions have been drawn on the verification of spend for those schools with a reportable surplus from 2015/16.

2. Background

- 2.1. Under the Schools Standard and Framework Act and the Scheme for Financing Schools, Local Authorities (LA's) in conjunction with their Schools Forum are required to review and challenge the level of surpluses held in individual schools.
- 2.2. Surplus balances to be challenged are amounts greater than 8% for a consecutive two year period for all sectors excluding small schools (*less than 180 pupils*). Potentially, under Rochdale's Scheme for Financing Schools, any surpluses meeting these criteria and not deemed to be used for 'eligible' purposes can be clawed-back with re-distribution to all schools via the Schools Block.
- 2.3. It is for Forum to agree the Scheme and the LA to administer on Forum's behalf. The current scheme is detailed at Appendix A.
- 2.4. Schools final outturns for 2016/17 were reported to Schools Forum in June 2017. During the summer, schools with reportable surpluses were asked for explanations of the purposes for which these balances are being held. In addition, Budget Officers have reviewed the use of reportable surplus amounts for 2015/16 in line with submissions for that year.
- 2.5. Outturn for 2016/2017 shows total schools balances of £11,163k; this includes two schools with small deficits (less than £10k).

3. Strategy and Context

- 3.1 School funding is provided for the educational purposes of pupils in school. Excessive accumulation of surpluses, unless saved for a planned purpose, could represent a loss of opportunity for these pupils.
- 3.2 In general, funds given to schools are for the purpose of educating the pupils in school at that time, although it is recognised that schools will accumulate some funds for specific longer term planned projects.

4. Findings

2015/16 Reportable Surplus Review – verification of planned spend

- 4.1. A review has been undertaken of the use of 2015/16 reportable surplus amounts in comparison to their planned usage as outlined by schools. A summary of the planned usage as reported to Forum in October 2016 is provided at Appendix B.
- 4.2. There were 19 schools that had a reportable surplus in 2015/16. Of these:-
- 11 schools' spend has been verified without any issues
 - 1 school has now converted to an academy
 - 3 schools have requested a change of use or in the timescales for completion which have previously been approved by Forum
 - 4 schools have seen delays resulting in balances being carried forward again into 2017/18; further detail is provided at paragraph 4.3
- 4.3. The 4 schools where projects have been delayed or deferred are:

Bowlee Primary School

Bowlee's 2015/16 reportable surplus was £236k and was to be used in for expenditure related to classroom extensions. £208k has been verified with £28k still outstanding due to the timing of the building works. This is now included in the surplus as at 31st March 2017 of which details are included in the next section of this report.

Sandbrook Primary School

Sandbrook had a reportable surplus of £169k at the end of 2015/16 which was to be used towards a contribution for new classrooms. There has been a delay in the completion and therefore payment for the work resulting in another small reportable surplus this year.

Newhey Primary School

Plans for a school office extension at Newhey have not progressed this year. Therefore the school have a reportable surplus again at the end of the 2016/17 financial year. Plans to extend the school office remain in place and it is recommended that the school retains the surplus to continue with these plans.

St Gabriel's CE

Part of the surplus last year was earmarked for improvements to the car park and the re-design of access to the school; however this has not progressed as planned. The school still intends to progress this work and therefore it is recommended that school retains the surplus to enable to work to continue.

Schools Outturn 2016/17 and Reportable Surplus Amounts

- 4.4. As reported to Forum in June 2017, surplus balances in schools at 31st March 2017 totalled £11,163k with two schools in deficit. Overall balances have decreased by £2,112k.
- 4.5. There are currently 19 schools that have had a surplus balance greater than that allowed by the SFFS for two or more consecutive years requiring them to report to the LA and Schools Forum on the intended use of the balance.
- 4.6. All 19 schools have provided details of the planned use of the surplus balances as at 31st March 2017 and all planned spend falls within the restrictions of the Scheme for Financing Schools. The total reportable surplus element for 2016/17 is £2,087k of which nearly £1,500k (72%) will be used as Revenue Contributions to Capital Projects. A more detailed summary of the surplus balances and the planned use is at Appendix C.

- 4.7. The LA will work on verifying that amounts are spent in accordance with plans outlined and will report back at October 2018 Forum.

5 Summary

- 5.1 The review of the 2015/16 reportable surplus amounts for 19 schools has concluded with verification of the amounts for 12 schools whilst 6 schools have encountered issues causing delays, have deferred projects subject to the completion of other plans or have converted to academy status. Forum members have previously agreed to a change of use for one further school.
- 5.2 There are 19 schools with a reportable surplus at the end of 2016/17. All schools have submitted detailed plans for spend which are eligible under the Scheme. The LA will verify spend in accordance with this and report back to Forum in October 2018.

6 Recommendations

- 6.1 Forum note the review and verification of the planned use of 2015/16 reportable surplus balances as at 31st March 2016.
- 6.2 Forum note the issues with verification of spend of the 2015/16 reportable surplus for 6 out of the 19 schools.
- 6.3 Forum agree no clawback is due from schools in relation to 2015/16 surplus balances.
- 6.4 Note that all schools with a reportable surplus as at 31st March 2017 have submitted plans for the use of the reportable surplus amounts and that all schools proposed spend is deemed eligible pending verification.

SECTION 4: THE TREATMENT OF SURPLUSES AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

4.1 The Right to Carry Forward Surplus Balances

Governing bodies may carry forward from one financial year to the next, any unspent provision from the budgets, including those from previous years.

4.2 Reporting on the Intended Use of Surplus Balances

Governing bodies are required to report to the LA on the use to which schools intend to make of surplus balances held as resources in the budget plan, in circumstances where the reserves total more than 8% of the School Budget Share for all Schools except small schools (pupil numbers less than 180) and the PRS where the threshold is 12%, for a consecutive 2 year period.

4.3 Controls on Surplus Balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2011:

4.3.1 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. If a school has had a surplus greater than 8% (12% for small schools and the PRS) in a consecutive 2 year period the school will be required to outline the specific purposes for which these funds are being held.

4.3.2 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.

4.3.3 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, 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.

4.3.4 For the purposes of this part of the scheme, specific purposes permitted by the Authority are as follows:

Repairs and Maintenance

- Revenue Contributions to Specific Capital Projects
- Essential Health and Safety Works
- Essential Security works
- Other Specified Repair and Maintenance

Investment: Information Technology

- Major investment in Information Technology equipment and/or facilities

Short term staffing

- Additional teaching or support staff (12 months only)

Other permitted uses

- Investment in Community facilities
- Pupil Premium monies carried forward – up to 12% of the pupil premium allocation for the financial year.

4.3.5 To evidence the use of the surplus, in all cases a school will be required to specify the nature of the work and provide an estimate of cost together with the timescale for implementation.

4.3.6 If the result of steps 4.3.1 to 4.3.3 is a sum greater than 8% of the current year's budget share for all schools (8% for small schools and the PRS) then the Authority shall deduct from the current year's budget share an amount equal to the excess.

4.3.7 Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

4.3.8 Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.

4.3.9 The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.