

SCHOOLS FORUM

Date of Meeting: 18th June 2020

Subject: Schools Final Outturns and Reportable Surplus 2019/20

Report of: Joanne Elcock

Contact Details: Name: Joanne Elcock
Tel: 01706 926214
E-mail: joanne.elcock@rochdale.gov.uk

Confidential: Not applicable

Introduction and Context

The Local Authority in conjunction with the School Forum is required to review and challenge the level of surplus balances held by individual schools. School funding is provided for the purpose of educating the pupils in the school and excessive balances could represent a loss of opportunity for those pupils.

Summary

The final outturns for individual schools for the financial year 2019/20 have now been finalised; this report provides details of the overall balances held by schools as at 31st March 2020.

Balances have increased by £230k from £11,411k at 31st March 2019 to £11,641k at 31st March 2020.

Schools that had a surplus balance greater than 8% of their ISB as at 31st March 2019 and again on at 31st March 2020 have a reportable surplus that is subject to review. There are currently 19 schools with a reportable surplus subject to review.

Recommendations

Members note the report, and provide comments on the level of surplus balances held in schools and on the current reportable surplus scheme.

Members are recommended to retain the current reportable surplus scheme as per Section 4 of the Scheme for Financing Schools.

Implementation Date:

Not applicable

Reference to Key Documents/Previous Papers:

Report to the Schools Forum

Date **18th June 2020**

Title **Schools Final Outturns and Reportable Surpluses 2019/20**

1. Purpose of the report

- 1.1. To update Schools Forum members on the overall level of balances held by schools as at the 31st March 2020.
- 1.2. To review and consider whether Rochdale's Control of Surplus Balances as per the Scheme for Financing Schools is still fit for purpose.

2. Background

- 2.1. Under the Schools Standard and Framework Act and Rochdale's Scheme for Financing Schools (SFFS), the Local Authority (LA) in conjunction with the Schools Forum is required to review and challenge the level of surpluses held in individual schools. 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.

3. Strategy and Context

- 3.1. School funding is provided for the educational purposes of pupils in school. Excessive accumulation of surpluses could represent a loss of opportunity for those pupils.
- 3.2. Guidance from the Department for Education around controls on surplus balances in maintained schools suggests that schools should have some degree of flexibility of funding. The following is an extract from the guidance:

"The scheme may contain a mechanism to claw back excess surplus balances. Any mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium term budgeting in a tighter financial climate, and should not be burdened with bureaucracy. The mechanism should, therefore, be focussed only on those schools which have built up significant excessive uncommitted balances and / or where some level of redistribution would support improved provision across a local area."

- 3.3. In response to the above and in view of the level of balances held, Schools Forum has previously decided to retain a Reportable Surplus scheme. The retention of some form of accountability for retaining excessive balances was considered important until schools demonstrated that retention of high balances was not at the detriment of pupil outcomes.
- 3.4. With regard to balances held by academy schools there is no limit on the amount of General Annual Grant (GAG) eligible academy trusts can carry forward, but the Academies Handbook effective from September 2018 does state that:

"Trusts should use their allocated GAG funding for the full benefit of their current pupils. If a trust has a substantial surplus they should have a clear plan for how it will be used to benefit their pupils, e.g. a long term capital project. The ESFA will report to the DfE, any trusts where it has serious concerns about a long term substantial surplus with no clear plans for its use."

In effect the EFA and DfE review balances in much the same way as the LA and Schools Forum do in Rochdale.

4. Findings

Level of Balances - Final Outturn 2019/20

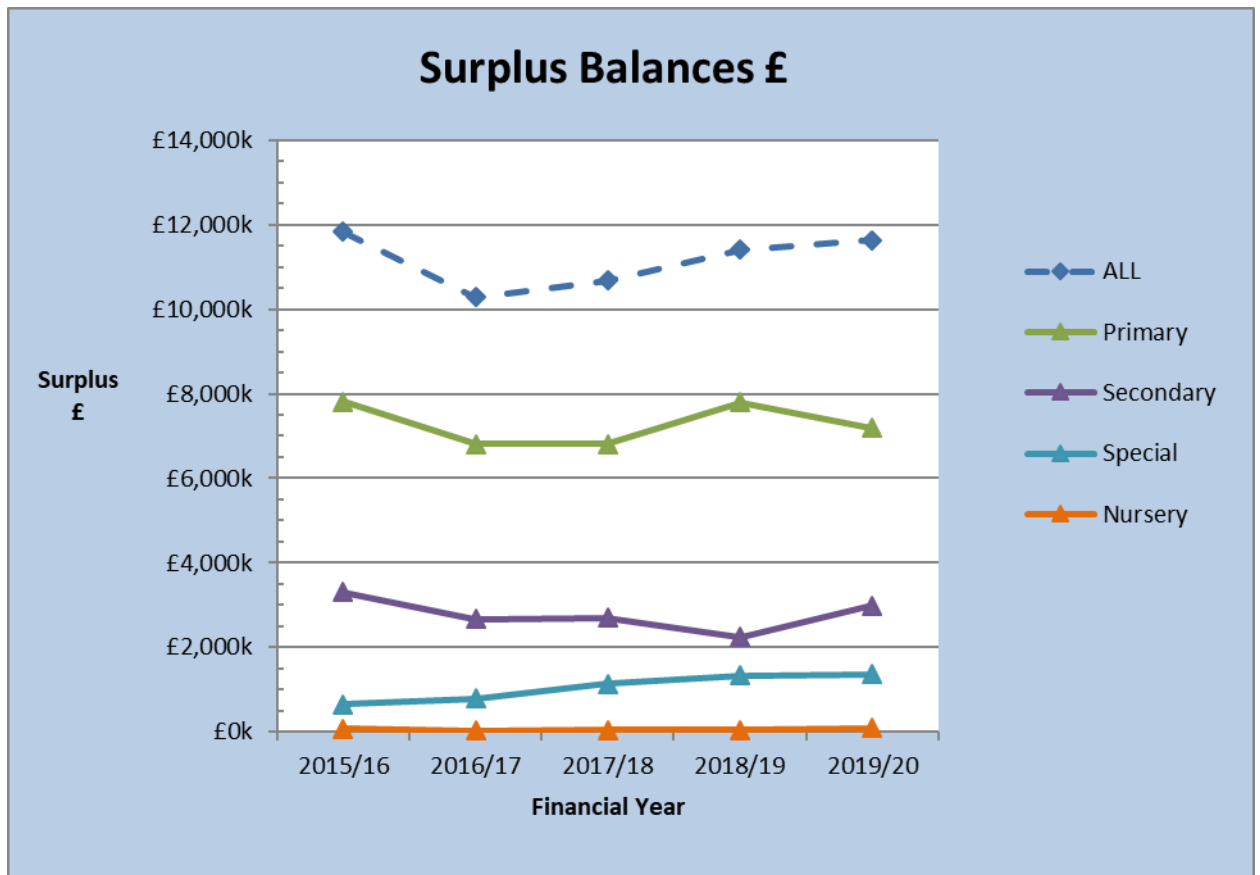
- 4.1. Outturn for 2019/20 showed total school balances of £11,641k with no schools in deficit.
- 4.2. The overall final Individual School Budget (ISB) balance for 2018/19 compared to 2017/18 is summarised in the table below (the figures for schools that have converted to an academy in year are excluded):

Sector	Number of schools	Final 2019/20 £000	Final 2018/19 £000	Change £000	Change %
Nursery	2	93	46	47	102.0%
Primary	62	7,190	7,790	(600)	(7.7%)
Secondary	7	2,987	2,246	741	33.0%
Special	4	1,371	1,329	42	3.2%
Overall	75	11,641	11,411	230	2.0%

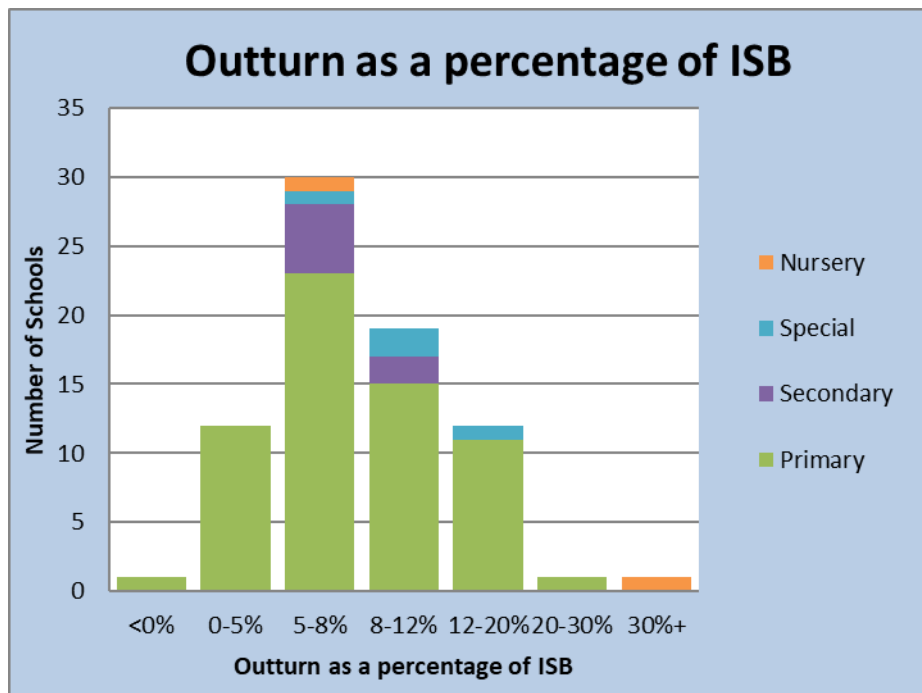
- 4.3. Balances overall represent around 8% of maintained schools' funding for 2019/20. Overall balances have increased by £230k or 2.0% from the 2018/19 position.
- 4.4. The summary in the table at paragraph 4.2 shows an increase in the overall surplus balances in nursery, secondary and special schools. The balances in primary schools have dropped, but this is primarily down to a significant drop in balances for just two primary schools. If these are excluded we see an increase from £5,900k to £6,400k across the remaining 60 primary schools. The above figures for the secondary sector do include Siddal Moor which converted to an academy on 1st April 2020; the table below shows the balance for the secondary sector excluding Siddal Moor. The percentage increase in balances drops to 27.1%.

Sector	Number of schools	Final 2019/20 £000	Final 2018/19 £000	Change £000	Change %
Secondary (excluding Siddal Moor)	6	2,720	2,140	580	27.1%

- 4.5. The following graph shows the how the level of balances has fluctuated over the last five years, both overall and per sector. The amounts exclude those schools that have converted to an academy. The graph highlights a general trend in increasing balances overall. The drop in primary school balances is referred to in paragraph 4.4, but we can see here a general increase in special school balances and an increase this year for the secondary sector.



4.6. Surplus balances for 2019/20 range from -0.2% to 33.0% of ISB. A breakdown is shown in the following graph on page 4 which highlights that many schools have surplus balances of under 8%; however 31 out of 75 (41%) of schools do have a surplus balance in excess of the 8% threshold.



Reportable Surplus 2018/19

4.7. Rochdale's Scheme for Financing Schools allows for schools to carry forward balances from one financial year to the next but also contains a mechanism to clawback excess surplus balances where there is no clear plan of its use on eligible expenditure.

4.8. Eligible expenditure as per Section 4 of the Scheme for Financing Schools is:

Repairs and Maintenance

- Revenue contributions to specific capital projects
- Essential health and safety works
- Essential security works
- Other specified repairs and maintenance

Investment: Information Technology

- Major investment in Information Technology equipment and/or facilities

Short Term Staffing

- Additional teaching or support staff (for 12 months only)

Other

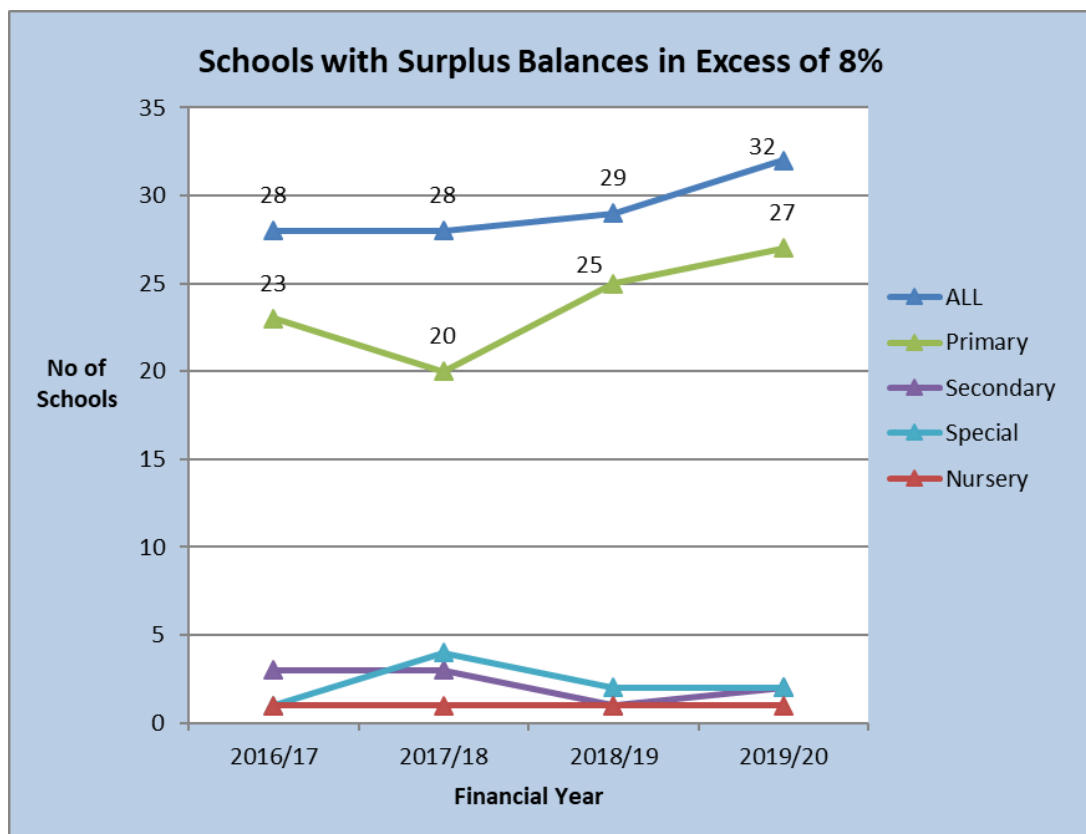
- Investment in community facilities
- Pupil premium – 12% of the schools allocation for the financial year

The full details are shown at Appendix A.

4.9. The 'balance control mechanism' in the Scheme for Financing Schools ensures that schools with a surplus greater than 8%* of their ISB for two consecutive years are subject to review by the LA in conjunction with School Forum. Schools that fall into this category are considered to have a reportable surplus and governing bodies have to report details of the planned use of the amount in excess of the 8% to the LA.

**Note that there is a threshold of 12% for small schools with less than 180 pupils and the PRU.*

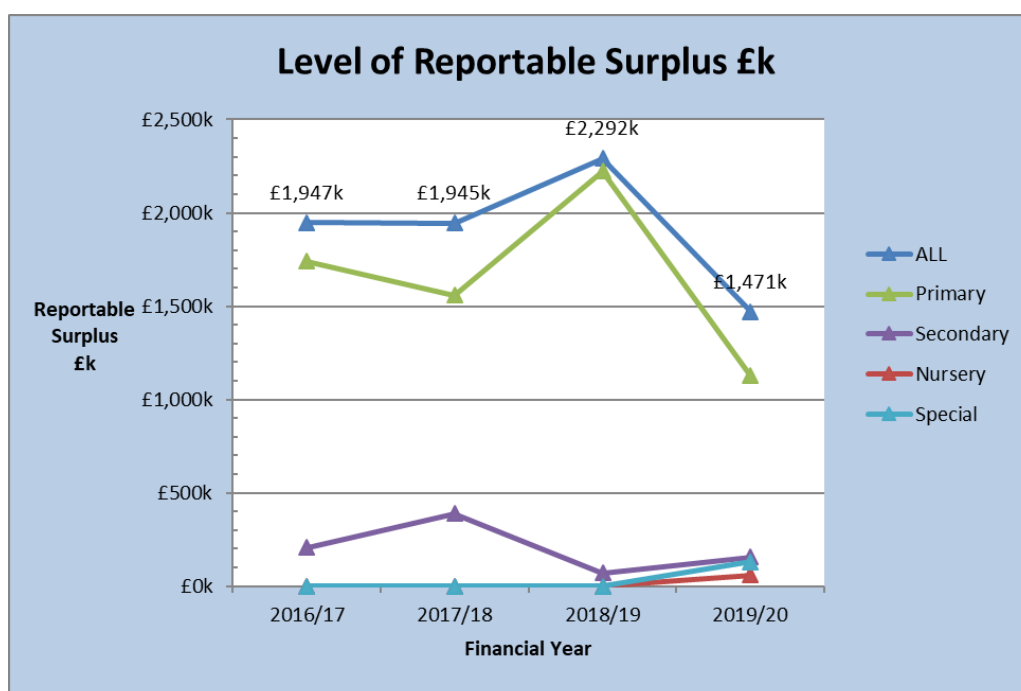
4.10. There are currently 32 schools (27 primary, 2 secondary, 1 nursery and 2 special) with a surplus balance greater than the threshold percentage.



- 4.11. Of these 32 schools, 21 are subject to review in accordance with Section 4 of the Scheme for Financing Schools. All 21 schools have been asked to provide details of the planned spend and the LA will present a further report to Forum in the autumn with details.
- 4.12. At the end of 2018/19 there were a total of 15 schools with a reportable surplus and the LA will be verifying that those schools have used their surplus balances in accordance with the planned use reported last year. This detail will form part of a report to Forum in autumn.
- 4.13. The table below summarises for 2018/19 and 2019/20 the number of schools per sector with a reportable surplus subject to review and the level of surplus above the amount permissible by the Scheme; the overall total surplus for these schools is also shown. The number of schools with a reportable surplus subject to review and the overall surplus and reportable element of the surplus has increased from the previous year.

Reportable Surplus Levels								
Sector	2019/20			2018/19			Change	
	No of Schools	Total Surplus £k	Reportable Surplus £k	No of Schools	Total Surplus £k	Reportable Surplus £k	Total Surplus £k	Reportable Surplus £k
Nursery	1	78	59	0	0	0	0	0
Primary	18	3,272	1,128	14	3,873	2,223	(601)	(1,095)
Secondary	1	718	155	1	622	69	96	86
Special	1	307	129	0	0	0	307	129
Overall	21	4,375	1,471	15	4,495	2,292	(120)	(821)

- 4.14. The following graph highlights how the level of reportable surplus has fluctuated over the last four years. The drop from 2018/19 to 2019/20 can be attributed to the surplus held by two primary schools with significant balances last year reducing. If these were excluded the average balance above the reportable surplus threshold would be very similar each year in the region of £52k to £55k per school.



- 4.15. It is worth noting that schools increasingly have to use revenue funds to carry out significant improvement works to their school premises as capital funding is usually insufficient. However not all schools seem to be able to generate the level of savings from revenue funds required to contribute to capital projects, whereas some can save significant sums.
- 4.16. Pupil Premium funding has been excluded from the funding figure used within the reportable surplus calculation.

Relationship between Balances and Ofsted Grades

- 4.17. An exercise has been undertaken for Rochdale schools analysing balances and current Ofsted grades. The results by sector are shown in the following table.

2019 20 Surplus Balances as a Percentage of Budget by current Ofsted Grade						2019 19
Ofsted Grade	Primary	Secondary	Nursery	Special	Overall	Overall
Special Measures	-	-	-	-		-
Requires Improvement	4.7%	5.4%	-	-	5.3%	3.9%
Good	7.8%	7.3%	28.0%	14.6%	8.3%	8.7%
Outstanding	7.7%		4.3%	-	7.6%	5.8%

- 4.18. In addition to the above information it should be noted that out of the 21 schools with a reportable surplus at the end of 2019/20 only two are rated as requiring improvement.

Ofsted Grade	No. of Schools with a Reportable Surplus by OFSTED Grade				
	Primary	Secondary	Nursery	Special	Overall
Requires Improvement	2	-	-	-	2
Good	12	1	1	1	15
Outstanding	4	-	-	-	4
Total	18	1	1	1	21

5 Summary

- 5.1 School balances have increased in 2019/20 by £230k to a total of £11,641k. There has been an increase in balances in all sectors apart from the primary schools which has seen an overall decrease.
- 5.2 Fifteen schools have been requested to submit details of their planned use of the reportable surplus balances and will report to Forum in the autumn. Schools are not at risk of clawback if they have clear plans for the future use of the surplus balances that will benefit pupils at the school.
- 5.3 The LA will present a further report to Schools Forum in autumn 2020 detailing their findings as a result of the verification of planned spend of the 2018/19 Reportable Surplus.

6 Recommendations

6.1 Members note the report.

6.2 Members provide comments on the level of surplus balances held in schools.

6.3 The current reportable surplus scheme as per Section 4 of the Scheme for Financing Schools is retained.

6.4 Members provide comments and consider whether any further analysis work is required in advance of the reportable surplus review update in October 2020.

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 12% of the School Budget Share for all Schools 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 the schools has had a surplus greater than 12% in a consecutive 2 year period the school will be required to outline the specific purposes for which these fund 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 12% of the current year's budget share for all schools 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.*