



DERBY CITY COUNCIL

COUNCIL CABINET
12 JULY 2005

Report of the Director of Education

ITEM 18

Retained School Balances

RECOMMENDATIONS

- 1.1 To notify schools of the Council's approval for their planned use of surplus balances and to set conditions as set out in appendix 3 on the use of any balances additional to those assumed in budget plans.
- 1.2 To transfer surplus balances from Central and Stonehill Nursery schools to a reserve to support capital funding for Children's centres at those schools.
- 1.3 To notify schools of dates by which agreed capital plans funded from balances must be completed as set out in appendix 3.

REASON FOR RECOMMENDATIONS

2. The Scheme for Funding Schools allows the Council to claw back surplus balances if these do not comply with an approved list of reasons for holding them.

SUPPORTING INFORMATION

- 3.1 The Council's ability to claw back surplus balances came into effect from 1 April 2004. Surplus balances are those which exceed 10% of the budget in the case of primary, nursery and special schools, and 5% in the case of secondary schools. Cabinet set conditions on the use of surplus balances at the end of the 2003/04 financial year at its meeting of 20 July 2004. This has been successful as most of the schools which were above the threshold had fallen below it by the end of the 2004/05 financial year.
- 3.2 The overall level of school balances and the number of schools with surplus balances have continued to fall during the 2004/05 financial year. The overall level of school balances fell from £5.9m to £5.1m, and the number of schools with surplus balances also fell, from 27 to 24. As this year's total of 24 includes the eight nursery schools at the end of their first year of delegation, the real decrease is even greater.
- 3.3 Information was requested from schools with balances above the threshold as to how they planned to use the balances in accordance with the list of approved reasons set out in Appendix 2. Responses from those schools are set out in Appendix 3.

- 3.4 Most schools have firm plans for use of balances. In a number of cases, actual balances substantially exceed the level assumed when setting the budget. The Scheme allows claw back of the difference between the assumed and actual level. Schools in this situation have, in general, identified plans to use this “windfall” and it is therefore recommended that they are allowed to retain these balances on condition that the funding is used for the purposes specified. This principle will be reviewed each year, taking into account the plans and the overall trends in balances.
- 3.5 All eight nursery schools have accumulated surplus balances in their first year of delegation and several will continue to do so under current spending plans. At the same time, there are growing shortfalls in the capital funding relating to Children’s Centres. It is, therefore, proposed that, where these schools have surplus balances and no agreed plan for using them, the excess should be transferred to the capital budget for Children’s Centres at those schools.

OTHER OPTIONS CONSIDERED

4. The Scheme for Funding Schools requires an evaluation of the reasons given by schools for retaining large balances.

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Background papers: Responses from schools
List of appendices: Appendix 1 – Implications
Appendix 2 – Summary of approved reasons for holding large balances
Appendix 3 – Comments on school responses

IMPLICATIONS

Financial

- 1 The Scheme for Funding Schools allows the Council to claw back surplus balances where these exceed 10% of the delegated budget in the case of primary, nursery and special schools, and 5% in the case of secondary schools, and where then planned use of balances does not comply with an approved list of uses. The Council believes that, in general, funding allocated to schools should be spent for the benefit for the pupils who are in a school in the year the funding is allocated. Accumulation of balances without good reason could disadvantage current pupils in favour of future cohorts.

Legal

- 2 The Scheme for Funding Schools forms the legal basis for the Council's financial relationships with schools. Amendments to the Scheme have to be approved by the DfES.

Personnel

- 3 Staffing costs form the largest single part of an individual school's budget. Governors are responsible for making staffing decisions, taking into account the budget available.

Equalities impact

- 4 None

Corporate objectives and priorities for change

- 5 The proposal comes under the Council's objective of providing "a stimulating and high quality learning environment" and the priorities of "no schools in 'causing concern' categories", "raising educational achievement" and the ongoing priority to "minimise increases in Council Tax and increase value for money from our services".

Summary of approved reasons for holding large balances

- Where the balances have been taken into account in setting the following year's budget plan, and the projected balance at the end of that year falls below 10% of the delegated formula budget (for primary and special schools) or 5% for secondary schools. Any actual balances above the assumed level would not be approved unless falling within another of these categories.
- Where there is expenditure which has been committed by the end of the financial year by placing orders or employing staff prior to that date, but has not been charged to the previous financial year.
- Where income from a Standards Fund has not been spent within the 12 month period but will be by the end of the current academic year.
- Where expenditure has been set aside to meet necessary additional costs of an approved scheme within the capital programme, such as furnishing a new classroom.
- Where expenditure has been set aside for capital work which accords with the Council's Asset Management Plan priorities and there is an agreed timetable for the work.
- Where funding has been set aside to meet the costs of maintaining curriculum organisation for a single year group with reduced pupil numbers as it progresses through the school.
- Where it is planned to avoid staffing reductions for the summer term so as to provide stability for pupils for the remainder of the academic year.
- Where a balance relates to earmarked external funding which has been received but not yet spent.

The list would not include:

- Retaining significant funding to cushion the budget against future falls in pupil numbers, where balances would remain above the threshold at the end of the following financial year.
- Unplanned additions to revenue budgets where these arise from a higher than expected carry forward and do not comply with any of the categories listed above.
- Capital projects which have not been clearly defined and/or do not comply with Asset Management Plan priorities.

Comments on school responses

The figures in brackets show the total balances carried forward and are also shown as a percentage of their 2005/06 delegated budget. If balances have been above the threshold for more than one year, this is also shown.

Primary schools

Asterdale Primary (£82,629, 16.6% of budget, 4th year above 10%)

The school has set a budget for 2005/06 which reduces the balances to below the 10% threshold. This is an approved use of balances.

St James CE infant (£57,338, 16.5%, 5th year)

Cabinet agreed the carry forward of the school's surplus balance from 2003/04 for a number of purposes, including fixtures and fittings for the new Foundation Stage unit. In the event, authorisation from the DfES for the work, necessary as this is an aided school, was not received until March 2005. The school has identified £20,500 for these and the governors' 10% contribution, which will now be paid in 2005/06. This is an approved use of balances; however, the school's budget plan still shows projected balances above 10% for the next three years, so it is proposed that the school is requested to submit revised proposals.

Normanton Village infant (£56,683, 16.3%, 5th year)

The school is planning to use most of its balances in 2005/06. Delays to the building of the new Foundation Stage unit have meant that expenditure on resourcing this and starting a rolling programme of refurbishment have slipped. An additional teacher will also be employed from September to keep class sizes below 30 because of the fluctuations of the numbers in particular year groups. This is an approved use of balances.

Allenton Primary (£112,090, 13.5%)

The school's budget plan fully uses the balances for one-off expenditure during the financial year, including capital schemes for playground development, drainage work and remodelling the Key Stage One area to create discrete classrooms; replacing soffits; employing a behaviour mentor for two terms; purchasing new projectors and whiteboards. This is an approved use of balances.

Redwood infant (£81,186, 13.0%)

The school had a large pupil number clawback this year, so around half of the balances are being used to support the 2005/06 budget, and would fall below 10% by the end of the year. This is an approved use of balances.

Borrow Wood infant (£53,571, 12.3%)

The school intends to spend £17450 on replacing cold water storage tanks, security fencing and additional installation costs for interactive whiteboards. These works are all scheduled for this summer and are an approved use of balances.

Boulton Primary (£99,873, 12.2%)

The school is employing a teaching assistant to support underachieving pupils, and has plans to refurbish the Key Stage Two library area, refurbish corridor book storage, redecorate classrooms, develop the outdoor play area and purchase portable interactive whiteboards. This is an approved use of balances. They are also employing an additional teaching assistant to cover teachers' Planning, Preparation and Assessment (PPA) time, though this was funded in the budget.

Cherry Tree Hill infant (£70,920, 12.2%)

The school is in the middle of a window replacement programme and has set aside £26,000 from its revenue budget to supplement contributions from devolved capital. This is an approved use of balances. If the school's governors decide to federate with Castle Nursery, then the federation would need to submit an agreed plan by 30 September 2005 showing how the total balance across the federation would fall below 10% by the end of the 2005/06 financial year.

Bishop Lonsdale CE Primary (£64,380, 11.5%, 2nd year)

The school is still retaining funding for the governors' 10% contribution to a diocesan capital scheme involving new classrooms and internal reorganisation. It will need £39000 for this, together with £10000 for new furniture and ICT equipment. This is an approved use of balances.

Moorhead Primary (£74,081, 11.1%)

The school is planning to fully use its balances in 2005/06 to sustain a level of staffing and resources needed to move out of special measures, including employing a teacher to deliver intervention programmes. This is an approved use of balances.

Cherry Tree Hill junior (£64,661, 11.0%)

The school is above the threshold because its headteacher spent two terms as a part-time acting head at another school. £6176 relates to Standards Funds to be spent during the summer term. This is an approved use of balances.

Mickleover Primary (£84,232, 11.0%)

The school had set aside £8065 for refurbishing the library, but the work was delayed and the costs have been incurred in the 2005/06 financial year. The balances would otherwise have been below the 10% threshold. This is an approved use of balances.

Roe Farm Primary (£106,933, 10.9%, 3rd year)

The school has plans to contribute £20,000 from its revenue budget to a capital scheme involving a new office, refurbished nursery kitchen and staff toilet. £17,000 has been set aside for an upgrade of classroom ICT equipment, and two extra teachers are to be employed as part of the remodelling agenda. The capital scheme is being dealt with in liaison with the Council and is expected to be complete by January 2006. This is an approved use of balances.

Breadsall Hill Top junior (£54,442, 10.7%, 6th year)

The school has made good progress in reducing its balances over the last couple of years. It is planning to contribute £5000 from its delegated budget to altering the ICT suite, relaying some of the paths around the school and replacing some rotting exterior frames and doors.

Secondary schools

West Park (£330,003, 7.6%)

The school has set aside £85,000 for a capital scheme to refurbish a number of classrooms, computer rooms and administrative areas, to take place during the summer of 2005. The remainder of the balance has been used in setting the 2005/06 budget. This is an approved use of balances.

Bemrose (£171,757, 5.3%, 3rd year)

The school has spent £30,420 on an ICT infrastructure upgrade, and has retained £15,000 to pay the salary of an ICT coach – an additional post created as a two year project and part-funded by the DfES. This is an approved use of balances.

Nursery schools

Castle Nursery (£51,531, 34.5%)

Castle has been able to accumulate large balances because it has operated with a part-time acting head and has also been successful in attracting additional income from day care. At its meeting of 18 January 2005, the Council's Cabinet agreed to consult on federating with one or more schools to ensure long-term sustainable provision in the area. Consultation on federation is currently taking place. Under a federation, budgets can be moved between the schools within the federation. If the school continues with a part-time acting head, it would still have balances significantly in excess of 10% of the budget for the next three financial years. It is, therefore, proposed that if federation goes ahead, the federation would need to submit an agreed plan by 30 September 2005 showing how the total balance across the federation would fall below 10% by the end of the 2005/06 financial year. If federation does not take place, then Castle Nursery would need to produce a similar plan.

Stonehill Nursery (£44,837, 22.5%)

The school attributes its balances to caution in the first year of delegation. It has received a quote for £10,000 for electric shutters around the school verandah. However, even after this is taken into account, it would still have balances significantly in excess of 10% of the budget for the next three financial years. It is, therefore, proposed that the projected excess balances of £37,000 at the end of 2005/06 should be deducted from the school's budget and transferred to a reserve for the Children's Centre capital scheme at that school.

Central Nursery (£44,706, 18.6%)

It is unclear what the reasons are for the underspend. Its revised budget would still leave balances above 10% at the end of the 2005/06 financial year. The school is concerned at potential losses of funding for the Family Care Centre in future years, but there are no specific proposals which comply with the approved list of reasons. It is, therefore, proposed that the projected excess balances of £6000 at the end of 2005/06 should be deducted from the school's budget and transferred to a reserve for the Children's Centre capital scheme at that school. Future allocations of grant funding would also be linked to the school's overall financial position.

Walbrook Nursery (£30,521, 14.4%)

The balances are higher than they would otherwise have been because the headteacher was seconded to another school part-time for a term, and because temporary staff had

been appointed at lower cost while a staffing restructuring was in progress. The 2005/06 budget plans a reduction in balances, including a £10,000 contribution towards a capital project for extended services. This is an approved use of balances, but this would be conditional on the scheme starting by summer 2006.

Ashgate Nursery (£21,270, 13.3%)

The school wishes to retain balances to fund additional staffing as a children's centre. However, its projected balances would remain above 10% at the end of 2005/06. As children's centres must be financially sustainable, it would only be an appropriate use of balances to provide short-term funding for start-up costs. It is, therefore, proposed that the school is allowed to retain balances on condition that they agree a budget plan with the Council which reflects the transition to a children's centre and which reduces the balances to below 10% by the end of the 2005/06 financial year.

Whitecross Nursery (£24,476, 12.3%)

The school spent cautiously in its first year of delegation, and also generated additional income from childcare. It has plans to spend £24200 on extending the verandah, refurbishing the outdoor area, repairing the nursery flooring, replacement windows and additional learning resources. This is an approved use of balances, provided that these are additional to the budget plan already submitted, which would have maintained balances above 10% for the next three financial years.

Harrington Nursery (£26,923, 11.9%)

The school was above the threshold because it had a part-time acting head for a term. It is proposing to spend £12000 on furnishings relating to a capital scheme supporting special educational needs provision. This is an approved use of the balances, but this would be conditional on the scheme starting by summer 2006.

Lord Street Nursery (£33,060, 11.8%)

The school has a number of capital schemes proposed to be funded from capital and revenue budgets. These include a new disabled toilet in the nursery, completion of the security fence, roof repairs and improvement of the outdoor play area. This is an approved use of the balances, but this would be conditional on the schemes starting by summer 2006 and the funding sources clearly identified.