



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**1 AUGUST 2006**

# ITEM 25

Cabinet Members for Children's and Young People and Corporate Policy

## **Retained school balances**

### **SUMMARY**

- 1.1 The report sets out details of schools' planned use of balances, where these exceed the threshold set out in the Council's Scheme for Funding Schools.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendations

### **RECOMMENDATIONS**

2. 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 their budgets.

### **REASONS FOR RECOMMENDATIONS**

3. 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.



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## **COUNCIL CABINET 1 AUGUST 2006**

Report of the Corporate Director for Children and Young People and  
Corporate Director for Resources

### **Retained school balances**

#### **SUPPORTING INFORMATION**

- 1.1 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 its meeting of 20 July 2004.
- 1.2 After two years of falling balances, the total rose during the 2005/06 financial year, from £5.1m to £5.9m. However, the number of schools above the threshold remained unchanged at 24. Of last year's list, 8 have fallen below the threshold, but have been replaced by 9 others, while two schools on last year's list are now in a federation, so are treated as a single school for the purpose of this exercise. All nursery schools remain above the threshold.
- 1.3 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. In some cases, schools have only previously submitted a single year's budget plan to the Council, which makes it difficult to judge the sustainability of the proposals, so it is suggested in these cases that they should submit a three year plan as many schools have done.

#### **OTHER OPTIONS CONSIDERED**

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

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| <b>Background papers:</b>            | Requests from schools  |
| <b>List of appendices:</b>           | Appendix 1 – Implications  |
|                                      | Appendix 2 – Summary of approved reasons for holding large balances  |
|                                      | Appendix 3 – Comments on school responses  |

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| <b>IMPLICATIONS</b> |
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**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 2006/07 delegated budget. If balances have been above the threshold for more than one year, this is also shown.

### Primary schools

#### *St James CE infant (£82,626, 23.6%, 6<sup>th</sup> year)*

The school is prioritising projects which include urgent refurbishment of interior and exterior toilets, replacement of the fire alarm system and installation of interactive whiteboards in three classrooms. Further clarification is needed over how the total cost will be funded in relation to the budget plan already submitted, but otherwise this is an approved use of balances.

#### *Gayton Community Junior School (£133,300, 14.5%)*

The school has planned capital projects including alteration to toilet areas to create work space for small groups of children (£60,000), installation of replacement windows (£35,000) and general repairs and maintenance (£25,000). The work will be completed this financial year unless condition and asbestos surveys highlight unforeseen difficulties. This is an approved use of balances, though it is suggested that the school delay the toilet alterations until information from the condition survey is available.

#### *Homefields Primary (£92,521, 14.3%)*

The school has a number of projects including refurbishment of the office and resources room, replacement of security fencing, extension of Foundation Stage play area and additional ICT provision. This is an approved use of balances.

#### *Roe Farm Primary School (£128,001, 14.0%, 4<sup>th</sup> year)*

Cabinet last year approved the school's retention of its balances for a contribution to a capital scheme including a new office. This was delayed and the contribution is still outstanding. The school's budget plan indicates that most of its balances will be used by the end of the financial year, so this is an approved use of balances.

#### *Breadsall Hill Top Junior School (£74,781, 13.5%, 7<sup>th</sup> year)*

The school's balances did not reduce as expected last year because of unexpected staffing changes. The school plans to use its balances to maintain staffing levels through an anticipated dip in pupil numbers in 2007. This is an approved use of balances, though these may remain above 10% at the end of 2006/07.

#### *Allenton Community Primary School (£107,923, 13.0%, 2<sup>nd</sup> year)*

Cabinet last year approved the school's retention of its balances for a number of projects. However, there has been slippage of some of these, including playground development, replacement of soffits and the purchase of projectors and whiteboards. The school is also looking to employ a health care worker to support pupils with special educational needs. This is an approved use of balances, though it is suggested that retention should be conditional on the school submitting a three year plan.

#### *Parkview Primary School (£74,147, 12.1%)*

The balance includes £7093 of unspent Standards Funds, which will be spent by the end of August 2006. The school also has set aside funding for a new build community/extended day room, to be completed by January 2007. This is an approved use of balances.

*Ravensdale Junior School (£80,942, 11.9%)*

The school has plans for projectors and interactive whiteboards (£11,000) and tarmacing (£6000), with the intention of completing these during the summer holidays. This is an approved use of balances.

*St Chad's Church of England (Controlled) Nursery and Infant School (£51,820, 11.8%)*

The school has a number of projects which are planned for completion by the summer. It is suggested that the school can retain its balances, on condition that it submits a full three year budget plan.

*St John Fisher Catholic Primary School (£65,465, 11.7%)*

The school has plans to install interactive whiteboards in all classes and to continue improvements to the front of the school, to be completed during the summer holidays. This is an approved use of balances.

*Oakwood Junior School (£104,594, 11.2%)*

The school is planning to spend an additional £23,000 on ICT improvements, which should be completed by October 2006. This is an approved use of balances.

*Cherry Tree Hill Junior School (£67,087, 10.7%, 2<sup>nd</sup> year)*

£4100 of the £4266 excess above 10% relates to Standards Funds which will be spent by the end of the summer. The school's budget plan in any case plans a reduction in balances to below 10% by the end of the financial year. This is an approved use of balances.

*Portway Junior School (£80,672, 10.2%)*

The school wishes to maintain staffing levels to cover a dip in pupil numbers, as there is a particularly small year group entering next academic year, followed by a rise the next year. The school also wishes to install 6 more interactive whiteboards. This is an approved use of balances.

*Normanton Village infant (£37,820, 10.2%, 6<sup>th</sup> year)*

The school is only just above the threshold. There has been some slippage on expenditure for playground benches, which have now been fitted, and markings. As noted in last year's report, an additional teacher has been employed for this academic year to keep class sizes below 30 because of the fluctuations of the numbers in particular year groups. This is an approved use of balances.

## **Federation**

*Castle Nursery/Cherry Tree Hill infants (£77,415, 10.7% of combined budget, 2<sup>nd</sup> year)*

The school has plans for expenditure on supporting pupils with significant special educational needs (£12,400), premises work such as playground equipment and perimeter fencing (£12,750) and a creative/performing arts programme (£2500). This is an approved use of balances.

## **Secondary schools**

*West Park Community School (£335,248, 7.3%, 2<sup>nd</sup> year)*

The school has plans to spend on hardware and infrastructure as part of its recently acquired specialist status in Mathematics and Computing. It also anticipates having to make a revenue contribution to supplement devolved capital for schemes relating to the

sports hall roof replacement and electrical cabling. This is an approved use of balances, though there needs to be greater clarity about the costings. It is suggested that the school can retain its balances, conditional on more detail about the capital schemes and monthly reporting of its progress against the projected outturn.

*Chellaston School (£374,178, 6.9%)*

The school has planned capital projects which involve refurbishing the Maths Block (£250,000 at the end of the 2006/07 financial year), refurbishing kitchens and dining areas (£125,000 in two stages in 2006/07 and 2007/08) and CCTV (£27,000 in 2006/07). As the refurbishment of the Maths Block will create extra classrooms and may, therefore, have implications for the school's capacity, it is suggested that retention of the balances is conditional on the school having discussions with the Council's Asset Management team about this issue.

## **Nursery schools**

*Ashgate Nursery (£48,623, 29.2%, 2<sup>nd</sup> year)*

The school has allocated £20,000 for building work which has slipped into the new financial year. A further £20,000 has been committed to projects, such as canopies, which can be started now the new building has been handed over to the school. Further clarification is needed over how the total cost will be funded in relation to the budget plan already submitted, but otherwise this is an approved use of balances.

*Walbrook Nursery (£63,588, 26.9%, 2<sup>nd</sup> year)*

Cabinet last year approved the school's retention of its balances for a £10,000 contribution to a capital project for extended services, conditional on the scheme starting by summer 2006. The school has now decided to contribute a further £25,000 from its 2005/06 budget and has kept the Council informed of progress. It is expected that the building will be finished by October 2006. This is an approved use of balances.

*Stonehill Nursery (£48,526, 25.9%, 2<sup>nd</sup> year)*

Despite the clawback of last year's surplus balances, the school again exceeded the threshold. They are planning a new entrance and office extension (£17,500) to be undertaken during the summer holidays, while new floor surfaces (£3000) have already been fitted. This is an approved use of balances.

*Harrington Nursery (£53,587, 21.8%, 2<sup>nd</sup> year)*

Cabinet last year approved the school's retention of its balances to spend £12000 on furnishings relating to a capital scheme supporting special educational needs provision, conditional on the scheme starting by summer 2006. The school has, during the course of the year, decided to allocate £46,000 towards capital schemes and has kept the Council informed. The expenditure includes costs relating to heating and fire alarm systems, which may relate to other proposals. There needs to be greater clarity about the costings and funding sources. It is suggested that the school can retain its balances, conditional on more detail about the capital schemes being submitted.

*Whitecross Nursery (£40,081, 17.1%, 2<sup>nd</sup> year)*

Cabinet last year approved the school's retention of its balances for various small capital projects. Some of these have progressed slowly, but the school has set aside £36299 funding in its 2006/07 budget for schemes including a new play surface, verandah and staff cloakroom. This is an approved use of balances.

*Central Nursery (£32,150, 12.7%, 2<sup>nd</sup> year)*

The balances exceed 10% because they include £8200 received for an insurance claim, against which expenditure has not yet been incurred. The expenditure is taken into account in the school's 2006/07 budget plan, so this is an approved use of balances.

*Lord Street Nursery (£35,187, 11.7%, 2<sup>nd</sup> year)*

Completed work on security fencing would take the school below the threshold. This was one of the schemes approved last year by Cabinet as a reason for the school to retain its balances, conditional on it starting by summer 2006, so this is an approved use of balances.