



DERBY CITY COUNCIL

## AUDIT AND ACCOUNTS COMMITTEE

2 December 2010

# ITEM 7

Joint Report of the Strategic Director for  
Children and Young People and the  
Strategic Director of Resources

## External Audit – Review of School Balances

### SUMMARY

1. The Council's external auditor has reviewed the Council's schools balances as part of its work to provide its value for money conclusion.

### RECOMMENDATIONS

- 2.1 To note the recommendations of the Grant Thornton report.

### REASONS FOR RECOMMENDATION

- 3.1 The Committee has a responsibility to consider specific reports as agreed with the external auditor.

### SUPPORTING INFORMATION

- 4.1 In its 2009 report 'Valuable Lessons - Improving economy and efficiency in schools', the Audit Commission found that the overall level of schools' unspent revenue balances was substantial and exceeded £2 billion, which was considered by the Commission to be an inefficient use of public money.
- 4.2 In the Audit Approach Memorandum reported to this Committee on 25 March 2010, Grant Thornton informed Members that it would carry out a review of the Council's schools balances to determine whether they are at appropriate levels in light of this Audit Commission report. The findings from this review are contained in a report which is attached at Appendix 2.

#### Surplus Balances

- 4.3 The Council's ability to claw back surplus balances came into effect from 1 April 2004. Surplus balances are those which exceed 8% of the budget in the case of primary, nursery and special schools (previously 10%), and 5% in the case of secondary schools. Cabinet set conditions on the use of surplus balances at its meeting of 20 July 2004 with an amendment to introduce circumstances where an

automatic claw back of balances will apply at its meeting of 8 June 2010.

- 4.4 The total of revenue balances has fallen from £5.6m in 2008/09 to £5.3m in 2009/10 and the number of schools above the threshold has reduced from 23 to 8. Although Derby's level of balances has been well below the national average for a number of years, there will be national intervention if local authorities and schools do not succeed in reducing balances by 2011.
- 4.5 The Council's Scheme for Funding Schools has been amended after consultation with the Schools Forum and approval by the Council Cabinet on 6 June 2010 to introduce an automatic claw back mechanism. Balances that exceed 11% in primary, special and nursery schools and 8% in secondary schools are clawed back subject to very limited reasons. No schools have exceeded these balances.
- 4.6 Grant Thornton's report recognises the progress Derby has made in relation to containing surplus balances against the national picture but recommends that the Council considers reducing the levels of allowable surplus balances to 3% in secondary schools and between 4-5% in nurseries, primaries and special schools.

#### **OTHER OPTIONS CONSIDERED**

- 5.1 Not applicable

**This report has been approved by the following officers:**

<b>Legal officer</b>	n/a
<b>Financial officer</b>	n/a
<b>Human Resources officer</b>	n/a
<b>Service Director(s)</b>	n/a
<b>Other(s)</b>	n/a

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 - Implications Appendix 2 – Grant Thornton Report – Review of School Balances at Derby City Council

<b>IMPLICATIONS</b>
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**Financial**

- 1.1 None directly arising.

**Legal**

- 2.1 None directly arising.

**Personnel**

- 3.1 None directly arising.

**Equalities Impact**

- 4.1 None directly arising.

**Health and Safety**

- 5.1 None directly arising.

**Carbon commitment**

- 6.1 None directly arising.

**Value for money**

- 7.1 The Code of Audit Practice requires the external auditor to issue a conclusion on whether the Council has put in place proper arrangements to securing economy, efficiency and effectiveness in its use of resources, having regard to a standard set of relevant criteria, issued by the Audit Commission.

**Corporate objectives and priorities for change**

- 8.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.