

WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM 8th OCTOBER 2008

REPORT OF THE DIRECTOR OF CHILDREN'S SERVICES

SURPLUS SCHOOL BALANCES - DEDUCTIONS

EXECUTIVE SUMMARY

This report updates the Forum on surplus balances deducted from schools and describes a revised scheme that could be implemented in future.

1. School Balance Deductions

Six schools have had deductions in respect of excess balances as at 31st March 2007. They are :

	£
Somerville Primary School (previously reported)	17,850
Orrets Meadow (previously reported)	46,000
Holy Cross	32,047
Brentwood	9,181
Elleray Park	3,453
Black Horse Hill Infants	3,037

	111,568

2. Excess Balances at 31st March 2008

Twenty schools had balances in excess of the permitted 5 or 8% threshold, totalling £1.4m. Of this sum £743,000 was identified by schools as being required to contribute to capital schemes, £464,000 for falling rolls and £107,000 for ICT replacement.

It is proposed to make deductions from four schools who submitted plans to spend surplus balances outside these areas. The provisional amount to be deducted is £117,000.

3. Proposals for a revised surplus balance scheme

The above system is complex and lengthy. It requires judgements regarding the validity of proposals and it is impossible to arrive at a conclusion before schools set their budgets for the year. We have therefore looked at alternative approaches,

Attached is an extract from a report to Lancashire Schools Forum describing a scheme that would claw back a fixed percentage of schools balances in excess of the 5 and 8% recommended guideline. The percentage clawback would escalate as follows :

Year 1 of the scheme	2% of balances in excess of 5 or 8%
Year 2 of the scheme	5% of balances in excess of 5 or 8%
Year 3 of the scheme	8% of balances in excess of 5 or 8%

The increases could be implemented if school balances did not reduce as expected.

This scheme has a number of advantages :

- It is simple to implement and administer
- It will be applied equally over all schools
- It would discourage non essential spend plans
- It is a more acceptable version of the national levy proposed in 2007

The Lancashire scheme also describes arrangements that could be put in place to deal with specific cluster or Standards Fund allocations.

If introduced in Wirral, an amendment is recommended to take account of contributions to capital schemes. A number of schools have accumulated significant revenue reserves for capital. This has become an important feature within the capital programme and is a means of enhancing capital priorities.

It is proposed that in future agreed sums for capital should be transferred from revenue into an earmarked reserve. These amounts would then be removed from the excess calculation and only used for agreed capital purposes.

The impact of the scheme is illustrated below on 2007-08 balances.

	Excess deduction No adjustment £	Excess deduction With Capital adjustment £
2%	28,000	14,000
5%	70,000	35,000
8%	112,000	56,000

RECOMMENDATIONS

1. That the balances deducted to date be noted.
2. No action be taken on deduction until balances from 31st March 2008 are finalised.
3. That the Forum considers the proposed amendment to the calculation of excess balances.

Howard Cooper
Director of Children's Services

Calculation of Potential Clawback under Proposed Revised Arrangements

Calculation of "excessive" surplus balances potentially liable for clawback

In essence, under the proposed revised arrangements, excessive balances will be calculated by the following process:

SURPLUS BALANCE (recurrent balance category held by each school as at the 31 March)

Deduct

- deductions agreed in exceptional circumstances by the Authority. The only deduction will be the level of recommended guideline balances** – calculated for the individual schools in accordance with the proposed DCSF guidelines

Equals

EXCESS SURPLUS BALANCE (if positive, liable for clawback)

***guideline balances:*

The Authority's proposed guidance on appropriate levels of balances for difference types of schools provides as follows:-

- 5% for secondary schools,
- 8% for other phases (or minimum of £30,000)

Level of Clawback

For all schools, a % level of clawback, agreed following consultation with the Lancashire Schools Forum, will be applied to this identified excess surplus balance.

Percentage Clawback at 31 March 2008 for 2007/08 is fixed at 2%

Percentage Clawback at 31 March 2009 for 2008/09 is provisionally set at 5%

Percentage Clawback at 31 March 2010 for 2009/10 is provisionally set at 8%

(Percentage Clawback at 31 March 2011 for 2010/11 is provisionally set at x%)

As described in the consultation document, the percentage clawback provisionally set for 2008/09 and 2009/10 will be reviewed annually by the Forum during the multi year period and increased or decreased according to whether or not overall balances in Lancashire are reducing in line with expectations. This review could take place once the outturn position for the preceding financial year is known, and the percentage clawback agreed for the coming year notified to schools as soon as possible

Refund of Clawback

Percentage clawback applied to funding identified as held by a (designated) banker school on behalf of a cluster of associate schools will be refunded in full, together with any other refunds agreed by the Authority in consultation with the Forum.

PROPOSED CONSEQUENTIAL SCHEME CHANGES

If the revised arrangements are agreed, a number of changes will need to be made to the Authority's approved Scheme for Financing Schools in Lancashire. These proposed changes are shown at Appendix C.