

MANCHESTER CITY COUNCIL SCHOOLS FORUM

Date of Meeting: 1 March 2010

Subject: Schools Balances and Clawback Arrangements

Report of: Head of Finance Children's Services

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Confidential: Not applicable

Introduction

The purpose of the paper is to provide Members with information on the progress to date reviewing the 2008/09 end of financial year schools surplus balances.

Summary

Following an extensive evaluation exercise conducted during the Autumn/Winter of 2009, this report aims to provide an update on the outcome of the evaluation of schools surplus balance position as at March 2009.

Recommendations

- a) endorse the actions proposed by the City Council to defer the implementation of the clawback scheme until the 2009/10 balance figures are available.
- b) note the position regarding the future utilisation of any clawed back amounts

Reference to Key Documents/Previous Papers

Forum Report 25.01.10 School Balances and Clawback arrangements
DCSF initial draft guidance to LA's issued 15.12.09
Forum Report 07.12.09 Schools with Surplus Balances (Clawback)
Forum Report 06.07.09 School Balances as at 31st March 2009
Forum Report 26.01.09 School Balances and Clawback arrangements
Forum Report 11.11.08 School Balances and Clawback

Implementation Date (if appropriate):

May/June 2010

Schools Balances and Clawback Arrangements

1. Purpose of the Paper

- 1.1 The purpose of the paper is to update members on the outcomes of the exercise carried out to examine those schools deemed to have surplus balances as at the end of the 2008/09 financial year.

2. Background

- 2.1 Reports to Forum had recognised Government concerns over the high level of balances held nationally by schools which had resulted in a change in Schools Financial Regulations to allow local authorities to 'clawback' surplus balances, subject to certain criteria. Schools Forum had also expressed concern and this resulted in schools and Forum being consulted on, and ultimately approving, revisions to the Manchester Scheme for Financing Schools.
- 2.2 Previous reports had proposed revisions to the original clawback scheme for the Authority, which had been agreed by Forum prior to it being presented to the Director of Children's Services and the Executive Member for approval under delegated powers
- 2.3 Schools Forum received a report at their July 2009 meeting summarising the position on school balances from the end of the 2008/09 financial year. At this meeting it was agreed that the Scheme would be amended in respect of the categories of permitted reserve that would then be excluded from the surplus balance calculation.
- 2.4 An exercise had been completed to request information from those schools initially appearing to show an excess balance, to allow them to demonstrate where they were holding monies under the revised categories of permitted reserves so that the initial Consistent Financial Reporting (CFR) balance could be adjusted and to provide evidence of the same, so that the local Authority could be seen to be complying with its duty to calculate the surplus balance and then deduct from these calculations any prior year commitments and specific purpose permitted exclusions before arriving at the true excess balance figure.
- 2.5 At the November 2009 Forum Meeting, Members requested that schools with potential clawback be visited for their views; however, this had not proved possible due to resource constraints within the Schools Finance team. Instead the detailed position had been established from a desktop exercise reviewing schools responses to information requests.
- 2.6 The Forum Finance sub-group (23.11.09) raised some concerns as to the adequacy of this exercise, given the potential inaugural implementation of the scheme, largely around the adequacy of both schools returns and the extent of

scrutiny applied to the information which they felt may give rise to an overstatement of the extent of the surplus balances currently declared. It was subsequently agreed to offer those schools having surplus balances, and having either not furnished any or insufficient supporting evidence in the initial examinations, a personal visit to either allow them a further opportunity to provide the evidence required, before a final schedule of suggested surplus balances and therefore potential clawback amounts was presented to Forum.

- 2.7 The ultimate aim being to obtain Forum's endorsement of the surplus balances to be the subject of clawback.
- 2.8 Further guidance has been received from DCSF following their joint consultation (with the LGA) on School Balances, this had been previously provided to Forum members in the paper delivered on 25.1.10. This is not statutory guidance but is likely to represent the direction of any guidance in the future and as such the DCSF strongly suggest it is followed. Further guidance will follow in the New Year.

3. Update on further assistance exercise

- 3.1 The December 2009 Forum report contained an appendix categorising the schools deemed to be holding surplus balances. Categories 6 and 7 referred to those schools 'who have provided insufficient evidence' and 'who have not returned any evidence' respectively. Those schools falling within those categories were written to and offered the services of a Finance Team member to visit the school to either assist the school in providing supporting evidence of allowable commitments or confirm the extent of the surplus balance.
- 3.2 Of the 8 schools falling in these categories 6 schools requested additional finance support visits and 2 schools supplied further supporting evidence
- 3.3 The visits were slightly delayed in taking place due to the heavy snow experienced in January leading to a number of school closures impacting on the original planned delivery dates. This meant that the January Schools Forum could only receive a verbal update as to the outcome of these additional visits and further information supplied:
- 3.4 Officers were concerned to ensure that the same degree of rigour and scrutiny had been applied to these recently examined schools as had previously been applied to schools submitting evidence earlier in the exercise. So a moderation exercise was completed and it was concluded that although the complete scrutiny of all schools with surplus balances had taken place over an extended period and been conducted by different personnel, that broadly speaking a consistent degree of rigour and scrutiny had been applied to all schools.

- 3.5 At the January Forum meeting Forum members suggested that given the amount of time that had elapsed since the inception of the examination of surplus balances, plus the piecemeal nature of the exercise and the proximity of the end of the financial year that they recommended that the 2008/09 clawback scheme be deferred until the next financial year. One of the most significant factors behind this being the limited amount of time that headteachers would have in the current financial year to manage the impact of any reductions.

4. Final position on surplus balances

- 4.1 The LA has considered the outcomes of all of the schools examined alongside the suggestion for a deferral and given the low number of schools that may have been considered to hold a surplus balance and the amounts involved have decided to defer the clawing back of any amounts until the exercise is completed as part of the closure of the 2009/10 accounts. This will allow for better timing of the exercise in line with the Manchester Scheme for Financing Schools and also can be applied with more rigour given the anticipated resource position within the Finance function.
- 4.2 Perhaps more importantly, this will also allow the evidence base to be improved given the wealth of information that has now been obtained as part of the 2008/09 exercise thus enabling an even more informed review (essentially two years worth of information will be available) to be carried out over the summer term. It also means that schools sensitivities to potential surplus balances following this heightened scrutiny has led to a greater recognition of the issues for Head teachers and governing bodies with the profile of school balances being raised significantly. Therefore the introduction of clawback for any deemed surplus balances at the end of the 2009/10 financial year has been well trailed with Head teachers and Governing Bodies unable to claim a lack of time to implement either their spend plans, or deal with any reduction to balances incurred.

5. Utilisation of clawed back amounts

- 5.1 Previous reports have raised the issue of how to distribute any amounts eventually clawed back and the December 2009 Forum resolved to ask the Authority to re-assess what individual schools might need to deal with current pressures in relation to school places, and/or to look at supporting schools that need extra resources for that purpose but do not have surpluses.
- 5.2 The January Forum reconsidered the issue of the utilisation of any surplus clawed back and resolved that:

as and when detailed information is available about the level of clawed-back funds available, the Forum should consider the options for redistribution, but that in the interim officers be requested to seek the views of governing bodies to establish what their priorities would be for the redistribution of such funds so that the Forum can make recommendations with the benefit of that information.

The LA considers this to be a reasonable solution and will consult Forum as and when any clawback occurs as to the proposed use of any balances generated through the clawback scheme.

6. Recommendations

6.1 Forum is asked to:

- a) endorse the actions proposed by the City Council to defer the implementation of the clawback scheme until the 2009/10 balance figures are available.
- b) note the position regarding the future utilisation of any clawed back amounts