

## **Dudley Metropolitan Borough Council**

### **Audit Committee - 16 December 2004**

### **Report of the Director of Education and Lifelong Learning**

### **School Balances and Deposits**

#### **Purpose**

1. This report provides updated annual information about the levels of school balances and deposits, in particular the planned use of these funds, as requested at the September 2003 meeting of the Committee and in relation to balances held as at March 2004.

#### **Background**

2. At its September 2003 meeting the Committee briefly discussed the then current level of school balances and deposits. The Director of Education and Lifelong Learning was asked to submit a formal report to the Committee clarifying the position and in particular giving details regarding the amounts involved in each of the Borough's school for the next financial year end.
3. The Council is required by law to maintain a revenue funding formula and scheme for the local management of schools. Governing Bodies may carry forward unspent amounts from their formula allocation at year-end. Over a period of years it is possible for schools to accumulate significant sums. The growing level of school balances has been a cause for concern not only in Dudley but also across the country as a whole with many millions of pounds residing in school balances. The funds in question remain in the ownership of the Council until spent by the Governing Body.
4. Although the Council cannot access school balances the Secretary of State has made Regulations, which allow the Council as local education authority to reclaim unreasonably high balances from individual schools for redistribution to other schools in the Borough. The reclaimed sum cannot be diverted to other areas of Council activity. In the event that the Council ceases to maintain a school any deposit funds revert to Council control. It is open for individual schools to place their deposits outside the Council for example with a bank or in other approved investments. The Council is obliged to pay a rate

of interest on the deposit sums it holds on behalf of Governing Bodies. The payment of interest to schools is made in line with the Scheme of Fair Funding for which the funding is contained within the school specific contingencies held within the schools block budget.

5. It is prudent for all schools to hold contingency funds, uncommitted from year to year, to cover unforeseen events. Guidance has been issued by the DfES that from 1<sup>st</sup> April 2004 a minimum balance of £20,000 or 5% of the current year's budget share in all schools might be thought reasonable to cover unforeseen eventualities. Anything above this then the Authority shall deduct from the current year's budget share an amount equal to the excess.
6. Balances accumulated by schools are usually intended to underwrite the cost of planned future building projects, for the replacement of equipment or furniture, or to offset anticipated staffing costs in future years.
7. Headteachers have been asked to identify the purpose for which sums are held under any of the five categories –
  - a) Renewals and Replacements – e.g. replacement of computer equipment, furniture, carpets, books, sports equipment;
  - b) Long Term Deposits – e.g. future building work, refurbishment, land purchase, mobile classroom replacement, or maintenance projects over £5000;
  - c) General contingency – i.e. balances set aside for staff stabilisation, the implications of pupil roll reductions, ending of central government or other grants.
  - d) Roll forward – any unallocated carry forward balance can be left in this reserve for future allocation. However, schools should note that sums set aside in this reserve are subject to the 5% or £20,000 of the school's current year budget share ruling imposed by the DfES.

- e) Approved DMBC Capital Schemes – capital expenditure commitments as approved by the Executive.

Appendix 1 attached provides a school-by-school summary of the current levels of school balances in the Borough. This analysis has been prepared by the Director of Finance's Accountancy team based on information provided by the Headteacher and has been annotated upon by the Directorate of Education and Lifelong Learning's Education Finance and Buildings and Estates Teams.

### Future Developments

- 8. The accumulation of detailed information goes some way towards enabling officers of the Council to encourage schools to ensure that saved funds are indeed spent for the benefit of pupils. The powers provided by the Secretary of State mentioned above also make provision for the development of three-year indicative budgets for education authorities thereby facilitating the provision of three-year indicative budgets to schools. Provided the Council provides a three year projection to governing bodies it will be able to reclaim unspent balances where the level of funding accumulated is determined to be unreasonable. In general terms, in the absence of specific named projects, or other spending plans, a deposit in excess of £20,000 or 5% of budget (whichever is the greater) might be considered excessive. This figure will need to be carefully considered in the context of each school taking account of size, catchment and pupil needs.

### Conclusion

- 9. The level of school balances in Dudley, as in many local education authority areas, is a legitimate concern. However, it is suggested that the data shown in Appendix 1 indicates that in most cases schools do have in place clear plans for their saved funds. In cases where unreasonably high balances have been accumulated this will be jointly addressed by the Directorate of Education and Lifelong Learning in partnership with the relevant Account Manager.

### Finance

- 10. The total of schools balances at 31 March 2004 was £9.235m. This is a reduction of £0.293m from last year's balances of £9.528m, as shown in Table 1 (Appendix 2). Full details are shown in the appendices.

Law

11. The Council as local education authority is required to maintain a funding formula for the allocation of resources to schools under the terms of Chapter IV Sections 45 - 53 of the School Standards and Framework Act 1998 and regulations made thereunder.

Equal Opportunities Policy

12. There are no equal opportunities issues arising from this report.

Proposal

13. It is proposed that this report be received and noted.



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Background Papers

1. Scheme for the Local Management of Schools and associated funding formula.
2. Minutes of the meeting of the Audit Committee held on 21 January 2003, 15 April 2003 and 29 September 2003.
3. 2002/03 Fair Funding S52 Outturn Statement. (Table 2, column 12).
4. Minutes of the meeting of the Dudley Schools Forum held on 7 July 2004.