

Dudley Metropolitan Borough Council

Dudley Schools Forum – 13 July 2005

Report of the Director of Education and Lifelong Learning

School Reserve Balances and Standards Fund Rollforward at 31st March 2005

Purpose of Report

1. To report to the Schools Forum the total of Dudley school reserve balances and standards fund rollforwards at 31st March 2005.
2. To update the Schools Forum on the benchmarking data available from the Audit Commission school balance toolkit website in relation to the balances held nationally at 31st March 2003 and 31st March 2004.

Background

2002/03 and 2003/04

3. A report to Schools Forum on 10th May 2005 highlighted details of the Audit Commission school balances toolkit and the website address.
4. Data from this website has now been extracted for Dudley and set against both statistical and metropolitan neighbours. The data is shown in Appendix 1. The website currently holds data for the two financial years 2002/03 and 2003/04. It is expected that 2004/05 balances will be updated during the coming months when LEAs formally submit the data to the DfES.
5. Dudley school balances are higher than the average when set against the West Midlands, Educational statistical neighbours or the average for England.

2004/05

6. For 2004/05, where the financial year ended on 31st March 2005, the data relating to the school balances for Dudley is now available. The total of Dudley schools reserve balance at 31st March 2005 was

£9.969m. This is an increase of £0.734m from last year's balances of £9.235m, as shown in Table 1.

Further details are shown in Appendix 2.

Table 1

Delegated Reserves	2002/03 £m	2003/04 £m	2004/05	Variance 2003/04 to 2004/05 £m
Primary	5.799	6.008	6.442	+0.434
Secondary	2.928	2.362	2.559	+0.197
Special	0.801	0.865	0.968	+0.103
TOTAL	9.528	9.235	9.969	+0.734

7. In addition to delegated reserves Dudley schools also have devolved standards fund rollforwards, which have decreased by £0.468m as at 31st March 2005. Details shown in Table 2

Table 2

Devolved Standards Fund Rollforwards	2002/03 £m	2003/04 £m	2004/05 £m	Variance 2003/04 to 2004/05 £m
Primary	0.836	0.802	0.676	-0.126
Secondary	1.212	1.444	1.107	-0.337
Special	0.053	0.044	0.039	-0.005
TOTAL	2.101	2.290	1.822	-0.468

8. The total of the delegated and standards fund reserves together gives a carry forward reserve for schools of £11.791m for 2004/05. This is an increase of £0.266m in total from the previous year.
9. Both the delegated budget reserves and the standards fund reserve school balances at 31st March 2005 will be formally reported in the DfES Section 52 document, which details the schools budget spending for 2004/05. This will be available to all schools during the autumn

term.

Monitoring of School Balances

10. When the LEA finalises the school balances at the end of the financial year, each school is asked to complete a statement indicating how and when they intend to spend their balances. This information is used by the Finance Directorate to allocate the school balances over a number of approved categories:
 - a. General Contingency;
 - b. Renewals and Replacement Fund;
 - c. Long Term Deposit Account;
 - d. Specific Contingency;
 - e. Approved DMBC Capital Schemes;
 - f. Approved Loans;
 - g. Reserve to Balance Following Years Delegated Budget;
 - h. Standards Fund Transferred to Delegated Budget.

Appendix 3 provides full details.

11. Using this data, an exercise has been carried out to compare the variance between the intended use and actual use of schools balances during 2004/05. The results of this exercise have indicated that of the £9.235m held at 31st March 2004, schools have stated that they had firm plans to spend £6.8m during 2004/05. The actual spend was £4.3m thus £2.5m was not spent as planned.
12. Further work has now been commissioned to review, with schools, why the £2.5m was not spent as planned. Appendix 4 gives a sample of data which will be used to complete the exercise.
13. Dependant upon the outcomes of the review, the Director of Education and Lifelong Learning may enforce the regulations within the LMS Scheme (paragraph 4.2.2) which allows the LEA to withdraw from a schools' balance the amount of any excess as defined by the Financing of Maintained Schools (England) Regulations 2004. The Director will form a final view on the action to be taken in light of the 2005/06 financial year end school reserve balances.

14. Any funding that is withdrawn from schools' balances will be used within the overall Schools Budget/Dedicated Schools Budget.
15. A further report will be presented to the Schools Forum when the exercise is complete and the Director of Education and Lifelong Learning has appraised the responses from schools.

Proposals

16. It is proposed that Schools Forum note the content of this report.
17. A further report to update School Forum members on the outcomes of the school balance monitoring exercise will be presented at the next meeting.

Finance

18. There are no direct financial implications affecting the proposals identified. However, Dudley's Scheme of Financing Schools includes, at paragraph 4.2.2, the following information in relation to the Control on Surplus Balances:

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2005:

- a. the Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- b. the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and any unspent Standards Fund grant for the previous financial year;
- c. the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority as listed at paragraph 4.3 of the scheme - with the exception of General Contingency - and which the authority is satisfied are properly assigned. To count as properly assigned, amounts

must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority;

- d if the result of steps a-c is a sum greater than whichever is the greater of 5% of the current year's budget share (secondary schools) or 8% (primary, nursery and special schools), then the Authority shall deduct from the current year's budget share an amount equal to the excess.

- 19. Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

Law

- 20. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equal Opportunities

- 21. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendations

- 22. Schools Forum is invited to advise the Director of Education and Lifelong Learning in respect of the school balances held by Dudley.



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