



## Walsall Children's Services

**Report to:** Schools Forum

**Date:** 7 December 2010

**Subject:** Changes to the Balance Control Mechanism (BCM)

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**Purpose of the report:** To provide Schools Forum with the outcome of the Consultation Exercise on 'proposed changes to the Balance Control Mechanism'

**Recommendation:** The DfE has announced that there will be no requirements for local authorities to have a Balance Control Mechanism in 2011-12, pending its review of the school funding system. However, it is good practice for schools not to hold excessive, uncommitted balances. Therefore, Schools Forum is requested to consider the maintenance of the Walsall BCM, pending the introduction of a new system in April 2012.

## 1. Introduction

- 1.1** The Schools Forum received a report at its meeting on 28 September 2010, which detailed the findings of the School Balances Working Group along with a draft consultation document proposing changes to the current Walsall Balance Control Mechanism (BCM).
- 1.2** The draft consultation document was approved by the Forum and subsequently issued to all schools with a closing date of 12 November 2010.
- 1.3** This report details the outcome of the consultation exercise. Any changes agreed by the Schools Forum will become part of the Walsall Scheme for Financing Schools with immediate effect, and schools will be informed accordingly.

## 2. Results of the Consultation Exercise

- 2.1** The School Balances Group and the Schools Forum agreed three recommendations:
1. To maintain the current percentages that schools may hold at the end of the financial year as the maximum of uncommitted balances that may be returned
  2. To include the main Standards Fund grants within the Balance Control Mechanism calculations, with effect from 1 April 2010
  3. To redefine the term annual resources on the Balance Control Mechanism as the amount of government funding made available during the course of the year, excluding any balance brought forward from the previous financial year, or locally generated income, with effect from 1 April 2011
- 2.2** Although the number of consultation responses received was low, there was general support for the recommendations.

	Total		Primary		Secondary		Special		Nursery	
	Y	N	Y	N	Y	N	Y	N	Y	N
<b>Question 1</b>										
Maintain the current BCM percentages	18	0	12	0	3	0	2	0	1	0
<b>Question 2</b>										
Include the main Standards Fund grants within the BCM	18	0	12	0	3	0	2	0	1	0
<b>Question 3</b>										
The exclude balances brought forward from the BCM calculations	14	4	8	4	3	0	2	0	1	0

- 2.3** The only negative responses received were in response to the issue of including balances brought forward and locally generated income in the BCM calculation.

The negative comments received on this issue are:

- Unless the carry forward is committed it should be included in the BCM and all schools should be treated the same
- It will impede our availability to match our infrastructure to the learning needs of the school
- We would agree from 2012
- This would penalise schools that are effective at raising funds. If this proposal is to be applied an extra year would be appreciated to consolidate plans

There are solutions to all of the concerns raised above:

- If introduced to the Scheme in April 2011, the calculation of balances permitted to be carried forward using the revised definition, would be completed in May 2012, at the end of the 2011-12 financial year
- Properly Assigned Sums can be committed for a period of more than one year, allowing schools to plan to spend their money in line with their priorities. As a principle large balances should not be held for long periods
- By excluding balances carried forward all schools are treated in the same manner. It is the inclusion of uncommitted balances that gives some schools an advantage
- Income that has been raised for a specific purpose, but is not spent in the same year, can be legitimately carried forward as a receipt in advance, to allow the income and expenditure to be recorded in the same financial year, and sits outside of the BCM process

### **3. The Schools White Paper, November 2010**

- 3.1** The government has published its Schools White Paper, 'The Importance of Teaching', and in the funding section of the paper it is stated that there will be no requirement for local authorities to have a clawback mechanism in 2011-12.
- 3.2** The government recognises that there will continue to be circumstances where clawback is appropriate, and therefore the current guidance on clawback will be reviewed, including the level of balances deemed to be excessive. There will be consultation on the changes to be made to the current arrangements from 2012-13.
- 3.4** However, it is good practice to have a balance control mechanism, to ensure that the funding allocated for pupils, is mainly spent on their education. Schools Forum are therefore asked to consider the maintenance of the Walsall BCM until 2012-13, when a new system will be implemented.

### **4. Recommendations**

- 4.1** The Schools Forum is recommended to maintain a BCM and approve the changes to the BCM in line with the proposals consulted upon and detailed below:

1. To maintain the following percentages of uncommitted balances within the BCM

	<b>Maximum Allowance</b>
Primary/Special schools with annual resources less than £1.399m	8%
Primary/Special schools with annual resources of £1.4m to £2.0m	7%
Primary/Special schools with annual resources over £2m	6%
Secondary schools	5%

2. To include the following grants in the BCM calculation for the 2010-11 financial year

- Delegated Budget Share (DSG)
- Schools Development Grant
- Primary Strategy
- Secondary Strategy
- Schools Standards Grant
- Schools Standards Grant – Personalisation

3. With effect from 1 April 2011, and relating to the 2011-12 financial year, to define total annual resources within the BCM as the amount of government funding provided to every schools during a financial year. However, this proposal may be superseded by a new national clawback mechanism.