



Walsall Children's Services

Report to: Schools Forum

Date: 8 December 2009

Subject: Balance Control Mechanism

Contact: Julie Taylor (julie.taylor@walsallcs.serco.com)

Purpose of the report: To consult with the Forum on proposed additions to the Properly Assigned Sums criteria referred to in the Balance Control Mechanism (BCM) included within Walsall's Scheme for Financing Schools.

Recommendation: The Schools Forum is asked to support the additional criteria to be applied to the Properly Assigned Sum criterion as detailed below:

1. To allow schools to build up reserves to manage any future liabilities arising from local agreements relating to Single Status and/or equal pay claims.

The following maximum sums to be accrued each year

£10,000	Per primary and nursery school
£20,000	Per special school
£50,000	Per secondary school

The above sums may be increased once further detail is available.

2. Nursery schools be permitted to use the Properly Assigned Sum Mechanism to manage the implementation of the Early Years Single Funding Formula. Any such sums to be supported by outline staffing plans and timetables.

1. Introduction

- 1.1** The Walsall Balance Control Mechanism (BCM) was incorporated into the Scheme for Financing Schools with effect from 31 March 2007. Since this time the BCM has not been reviewed.
- 1.2** Nationally and locally there has been a sustained increase in the level of school balances, as detailed in the July 2009 National Audit Report 'Valuable Lessons'. However, the good news is that during the 2008-09 financial year Walsall schools' balances reduced by £1.3m, to a year end position of £13.7m.
- 1.3** School balances are necessary to help to manage unforeseen circumstances, falling rolls, investment in specific developments/projects and changes in national and local requirements. The current BCM prescribes the maximum permitted balance percentages along with BCM exceptions such as Prior Year Commitments and Properly Assigned Sums.
- 1.4** The DCSF has been concerned about the total sum of money held by schools across the country. Over the summer of 2009 a survey of local authorities' BCMs was carried out. It is expected that new guidance will be issued which will be more restrictive than the current advice, particularly as the government considers ways of managing public expenditure in the future.
- 1.5** As local authorities have received no further guidance regarding their BCMs, this report is not proposing any major changes to the current BCM. Its purpose is to consult the Schools Forum on two additions to the existing Properly Assigned Sums criteria emerging issues for schools in the borough.
- 1.6** There will be some changes to the year end procedures for schools, but these are technical accounting issues that will bring the close down of school accounts in line with the highly commended procedures applied to all other Council Services. The new procedures are outlined in section 3 of this report, for information only.

2. Proposed Additional Criteria for Properly Assigned Sums

- 2.1** The implementation of the Early Years Single Funding Formula (EYSFF) with effect from 1 April 2010 is a legal requirement. The local authority has developed and consulted upon the Walsall EYSFF, and the Cabinet will consider the new formula on 13 January 2010.
- 2.2** The EYSFF has a significant financial impact on nursery schools, due to the high level of funding that they have historically received under previous funding arrangements. As the EYSFF requires all early years schools, classes and providers to be funded on a fair and equitable basis, without significant additional money, to bring all early years providers to the nursery schools' level of funding, there must be a reduction in the funds currently delegated to the nursery schools.
 - 2.2.1** The estimated impact of the pure EYSFF on the nursery schools ranges from a budget reduction of £31,000 to £60,000. As the majority of the nursery schools budget is staff related, then for some schools this will mean staffing reductions.
 - 2.2.2** Staffing reductions can be complex and time consuming, therefore in order to help schools manage this process, it is proposed that nursery schools are allowed to earmark a sum at year end, as a Properly Assigned Sum, to assist with an effective and smooth transition towards their new staffing structures.

- 2.2.3** Any such Properly Assigned Sums would need to be backed up with details of the potential staffing implications and timelines.
- 2.3** The second proposed addition to the Properly Assigned Sums criteria is designed to assist with any future liabilities arising from Single Status local agreements and/or equal pay claims affecting non-teaching staff in schools.
- 2.3.1** The local authority has begun to consider the potential implications of Single Status. The outcome of the process is some way off, but it would be prudent to allow schools to plan for any potential liabilities. It is therefore proposed that schools, who wish to do so, can begin to build up reserves for the purpose of meeting potential Single Status costs. Equal pay costs are driven by the number of claimants and their success rates.
- 2.3.2** Under this proposal any schools wishing to reserve funds would need to apply for a Properly Assigned Sum. The following sums would be the maximum to be retained by schools each year.

£10,000	Per primary and nursery school
£20,000	Per special school
£50,000	Per secondary school

The above sums may be increased once further detail is available.

- 2.4** The Schools Forum is asked to consider these two proposals in respect of expanding the Properly Assigned sum criteria with effect from 31 March 2010.
- 3. Year End Procedures 2009-10**
- 3.1** As previously reported to Schools Forum, it is in the interests of schools and the local authority to report the true year end balances of schools, which will be less than the sums currently recorded.
- 3.2** The main issue schools for schools is currently the year end cut off point for invoices, which means that some old year invoices have to be treated as Prior Year Commitments and paid in the new year.
- 3.3** The close down process for the 2009-10 financial year will address this issue by accruing for old year invoices. All old year invoices processed on ORACLE in April, as identified by a March invoice date, will be identified by the School Finance Team and transferred back to the 2009-10 financial year. This process has the effect of extending the invoice payment date for school invoices to late April, and should therefore technically reduce the sums recorded as Prior Year Commitments.
- 3.4** In addition to the invoice accruals described in 3.3, schools will be asked to list any external invoices still unpaid at the end of April, relating to goods and services received by 31 March. With supporting evidence, any such invoices can also be accounted for within the old financial year, thereby recording the activity within the correct financial year, and reducing year end balances.
- 3.5** At year end some schools may have outstanding recharges for works completed by a Council service. Once again with supporting evidence, such recharges can be issued and submitted to the local authority, by a prescribed deadline, and charged to the old financial year.
- 3.6** Once the above processes have been completed the year end balances figures will have reduced, and as a consequence, so will the sums needed to be recorded as a Prior Year Commitment.

- 3.7** The local authority is currently preparing year end guidance for schools. This will be issued as soon as possible and followed up by training for school finance staff, and headteachers if required.
- 3.8** The revised year end procedures for schools are part of the local authority's improvement plan to meet new accounting standards.

4. Summary

- 4.1** This report deals with current issues arising in respect of local and national funding issues. The proposals and changes contained within the report are designed to help schools manage emerging issues and improve the process underpinning an effective closure of the local authority's accounts.