

Future Process for Properly Assigned Sums

7th July 2015

1. Purpose of report

- 1.1 To advise of a change to the process, and associated deadlines, for requesting Properly Assigned Sums (PAS) which form part of the authority's Balance Control Mechanism as detailed in the Scheme for Financing Schools.

2. Recommendations

- 2.1 To approve the changes to the process and deadlines in regard to the submission of Properly Assigned Sum requests.

3. Background

- 3.1 Section 4 of the Scheme for Financing Schools details the Balance Control Mechanism and the controls placed on the level of surplus balances permitted under the Scheme.

- 3.2 Consistent Financial Reporting regulations require the publication of surplus balances being held by schools each year, however it is permitted to deduct from the balances any amounts for which a school has a prior year commitment to pay from the surplus balance i.e. orders dated prior to 31st March, but where neither goods or services were delivered by closedown of the accounts.

- 3.3 In addition surplus balances can have the value of agreed Properly Assigned Sums deducted from them. These are defined in paragraph 4.2 of the Scheme:

“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, 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.”

- 3.4 Currently schools are asked to submit details of specific projects or properly assigned sums by the end of the financial year. With all PAS requests being considered by the local authority during the first half of the summer term.

- 3.5 The application of the Balance Control Mechanism results in school balances being reported to the DfE, on CFR Outturn statements, in two parts:

Committed revenue balance from previous year - *the value of prior year commitments and agreed PAS*

Uncommitted revenue balance from the previous year – *the surplus balance*

It is the uncommitted balance figure which, under the current scheme, must be less than 8%.

4. Proposal

- 4.1 The purpose of the PAS request is to contribute a proportion of a school's surplus balance to a specific project which usually has a cost greater than the budget could reasonably meet in year, or perhaps in terms of premise type projects the request is needed as a result of unforeseen delays. The PAS process commits these sums within the reported balances of the school and the project(s) will then be undertaken in the timeline indicated within the request.
- 4.2 However, it is recognised the current timeline for the submission of requests, and more importantly, the agreement or otherwise from the authority in the summer term being after the end of the financial year, can be problematic in terms of planning.
- 4.3 To assist head teachers and governors with their financial planning, it is proposed to bring forward the date by which PAS requests must be submitted to February half term. The authority will then consider the requests received during the latter half of the spring term and confirm the outcome to schools before the end of the financial year.
- 4.4 As the expectation is that a PAS requests will usually relate to areas of planned investment or projects previously discussed with governors as part of their medium and long term financial planning, the revised deadline is felt to be realistic.
- 4.5 As now, requests will be submitted using pro-forma made available to schools, however to assist in the decision making process more detailed information will be requested.
- 4.6 It should be noted that no change to the permitted level of surplus balance is proposed and this will remain 8% for 2015-16 balances.
- 4.7 To further assist in this process more detailed guidelines will be made available to schools in the autumn term to include the types of expenditure which would be considered as properly assigned and the level of information to be included on the request.

5. Financial implications/Value for Money

- 5.1 The purpose of the Balance Control Mechanism is to ensure schools are utilising their resources, as far as possible, in year for the benefit of the pupils currently attending schools. The PAS process further enables governors to demonstrate effective use of their resources through their medium and long term financial planning.
- 5.2 Where surplus balances are above 8% the authority shall deduct from the following years budget share an amount equal to the excess.

6. Legal Implications

- 6.1 The proposed change is consistent with the existing Scheme for Financing Schools in Walsall.

7. School Improvement

- 7.1 The evidence to be provided within a PAS request will support the expected outcomes within a school's improvement plan.

8. Members eligible to vote

- 8.1 All elected members with voting rights are eligible to vote on this matter.