

Appendix A - School Balances Control Mechanism Policy

1.0 INTRODUCTION

- 1.1 The NNC's scheme for School finance states that all maintained schools can carry forward unspent revenue balances (arising from net underspends against their delegated budgets) from one financial year to the next.
- 1.2 Schools may carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.
- 1.3 Schools will not be paid interest on any unspent centrally held year-end balances. However, in so far as schools hold their unspent balances within a local school bank account, they may receive interest on the balance held within that account.

2.0 MANAGEMENT OF SURPLUS BALANCES IN SCHOOLS

- 2.1 It is recognised that it may be financially valid and prudent for a school to hold a certain level of reserves to meet unforeseen emergency or outstanding commitments.
- 2.2 Surplus balances held by schools, as permitted under the Scheme for financing school, are subject to the following:
 - 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.
 - All schools are required to complete a '**Surplus Balance Analysis Form**', as issued by the Local Authority, and present this to the Governing Body for discussion before the end of the summer term. In addition, for those schools which have excess surplus balances the '**Surplus Balance Analysis Form**' should be submitted to the Local Authority by the end of the Summer Term.
 - The surplus balance, more than recommended levels, can be assigned for specific purposes as listed below. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purposes in question.
- 2.3 The criteria for balances to be assigned for specific purposes and which are included in the Balance Analysis Form as follows:
 - Prior year commitments – any commitments from the previous financial year where goods and services were ordered but not delivered or paid.

- Commitments of a 'capital' & 'other capital' nature – planned building works, refurbishment work, or IT development. Schools can build up surplus balances towards specific projects though must not defer implementation indefinitely.
- Income generated previously by sponsorship, donations etc.
- Commitments of a 'revenue' nature – school improvement and other planned priorities.
- Unspent & Committed pupil-focused extended School Funding And/or Grants.
- Unspent previous fiscal year's Pupil Premium Grant.

2.4 Schools may enter into commitments that extend into following financial years if they can reasonably expect that the costs of any such commitments will be fully funded and completed within the indicated timescales.

2.5 Schools must be able to evidence their planned expenditure by reference to the School Improvement/Development Plan or Asset/Building Management Plan.

2.6 Schools are required to report to the Governing Body on how surplus balances are intended to be spent. The Minutes of the Governing Body meetings, quotations for work, orders and invoices for the specific purposes outlined above and Diocese agreement to capital projects for VA schools, are considered as suitable evidence for planned expenditure.

2.7 Funds derived from sources other than the NNC will be considered if those funds have been paid into the budget share account of the school.

3.0 CLAWBACK OF EXCESSIVE SURPLUS BALANCES

3.1 Surplus balances that are deemed to be excessive are where year end balances are greater than 10% of the preceding year's Budget Share for Nursery, Primary, Secondary and Special schools. This is in line with North Northamptonshire's Scheme for Financing Schools.

3.2 The proposal is that the Local Authority will review schools where surplus balances are greater than 10% of their school budget share.

4.0 CHECKING THE VALIDITY OF EXCESSIVE SURPLUS BALANCES PRIOR TO CLAWBACK

4.1 For schools that fall within the criteria laid out in 3.2, the Local Authority will review the content of the Balance Analysis Forms.

4.2 The Local Authority will also check that the expenditure outlined in the Surplus Balance Analysis Forms reflects the expenditure that has been included in the School Budget Plan.

- 4.3 Where the Local Authority is satisfied with the plans and the evidence, they will confirm this to the school. Monitoring will continue to take place throughout the year to verify that planned expenditure is eventually realised.
- 4.4 Where, through investigation and consultation, a school fails to satisfy the Local Authority that expenditure meets the Authority's criteria or is unable to provide sufficient evidence when requested, the school will be notified of the amount of money that will be clawed back. The maximum permissible amount of claw back is that more than the 10% thresholds that the Authority deem is not properly assigned.
- 4.5 If a school has an excess balance above the 10% thresholds and fails to submit a 'Surplus Balance Analysis Form' to justify the excess balance, by the end of the Summer Term, then the Council will claw back the excess balance.
- 4.6 The final decision will be made by the Director of Children's Service with the full involvement of the Finance.
- 4.7 If schools wish to appeal this should be put in writing the Chief Finance Officer
- 4.8 Any balances clawed back will be used to offset deficit balances paid by the Council under directed Academy Conversions. Any alternative use of any clawback funding will be subject to discussion with the Schools Forum.
- 5.0 **SUPPORT FOR SCHOOLS WITH SURPLUS REVENUE BALANCES**
- 5.1 If a school has any queries regarding what is deemed to be an acceptable purpose for carrying forward a large surplus balance, they can contact the School Support Team for advice and guidance.