

Date	18th May 2017	
Report title	Schools' Balances – Outcome of Arbitration Process	
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Summary

This report sets out the process of reviewing schools with significant surplus balances, and the subsequent consideration by and recommendations of the arbitration panel of schools deemed to have excess balances

Decision

Members of the Schools Forum are asked:

- a) To ratify the recommendation of the school arbitration panel to recover from Rakegate Primary School 50% of the excess balance above 8% of the schools' balances; the actual sum to be notified to the school on the closure of the 2016/17 accounts when the final balance will be determined and
- b) To confirm the decision of the arbitration panel that the full level of 2016/17 balances for St Paul's Primary school, West Park Primary school and Windsor Nursery can be carried forward for use on the projects identified in the schools' submissions and that no recovery of balance should take place

Schedule of background papers (If applicable)

DFE request 12th April 2017 - Consistent Financial Reporting (CFR) 2015/16: Schools deficits and surpluses

1.0 Background

- 1.1 Schools Forum periodically receives reports on the level of schools' balances.
- 1.2 Reports have focussed on 3 main areas of concern:-
- a) Schools with excess balances above the accepted thresholds recognised within the Scheme for Financing Schools (5% secondary schools, 8% primary/special schools) and the establishment of an arbitration process to recover balances.
 - b) Schools with deficit balances who may or may not have repayment plans under the licensed deficit scheme.
 - c) Schools directed to convert to academy with a risk of a deficit required to be met by the Authority's General Fund
- 1.3 This report focuses on 11 schools which were subject to review and visits by finance and education staff because the level of balances held were considered to be in need of closer scrutiny and possible referral to the arbitration process established by the Authority.

2.0 Arbitration process for Schools with Excess Surplus Balances

- 2.1 At its meeting on 24th February 2016 Schools Forum agreed to establish an arbitration panel and this panel was reconvened in March 2017 to consider the level of balances held at 4 of the 11 schools. The panel consisted of:-

Barry Bond – Chair of Schools Forum
Louisa Craig – Governor representative
Wayne Downing – Connect Ed representative
Alex Jones – Assistant Director (Schools Standards)
Claire Nye – Chief Accountant (Deputy S151 Officer)

- 2.2 Terms of reference:
The evaluation criteria and details of the review process were reported to Schools' Forum in May 2016 and are attached at Appendix A.

The Panel met on 2 occasions in March 2017

7th March to review - St Paul's Primary School
- West Park Primary School
- Windsor Nursery

23rd March to review - Rakegate Primary School

- 2.3 These schools were chosen due to the overall levels and persistence of excess surplus balances and because it was felt that recovery of some excess balances would not impact adversely on the performance or future financial sustainability of the schools.
- 2.4 The schools were invited to submit further information and evidence primarily around their use of surplus balances during 2016/17, their planned use in 2017/18 and impact on the school of any recovery of balances. The schools were also asked to appear before the panel to answer any questions.

Recommendations from the panel

- 2.6 Three schools attained a score above 25 which was the threshold for the recovery of balances. One school - Rakegate Primary school - did not meet the threshold to avoid a recovery of balances, the panel considered that the schools submission failed to satisfy the necessary criteria as :
- a) There was a lack of a clear plan for use of resources over the previous 3 years as balances had increased during that time.
 - b) Proposals for the use of resources going forward were not sufficiently robust with significant amounts were being held for contingency purposes.

The sum to be recovered is to be based upon the reported outturn for 2016/17

- 2.7 Proposals for how this sum together with the recovery of £85,000 from Penn Hall special school balances should be used to support school improvement in the city, will be considered by the Schools Forum Scrutiny Group and presented to a future meeting of Schools Forum

Proposed Process for Review

The panel would score following consideration of written evidence and verbal presentation against the following criteria as to whether the excess balances are committed

Factors to be considered

- Number of years excess surplus balances have been held – (*out of 5*)
- Trajectory of balances over previous 3 years (& 16/17 position) (*out of 5*)
- Robustness of explanations for planned use over previous 3 years (*out of 10*) based on submissions previously made
- 16/17 projected outturn position as compared to planned use at end of 15/16 (*out of 10*) based on new evidence to be submitted
- Robustness of proposal on use of excess surplus in 17/18 (*out of 10*) based on new evidence to be submitted
- Impact on school if following level of excess surplus were recovered (*out of 10*) based on new evidence to be submitted
 - a) Up to 25%
 - b) 26%-50%
 - c) 51%-75%
 - d) 76%-£100%

Maximum score would be 50 and approach would be

Score greater than 25 – no recovery of balance

Score 20-25 – 0%-25% of excess balances recovered

Score 15-20 – 26%-50% of excess balances recovered

Score 10-15 – 51%-75% of excess balances recovered

Score Less than 10 – 76%-100% of excess balances recovered

Additional information to be submitted by schools to the panel

Schools will be requested to submit the following information to the panel 7 days prior to the meeting

- Commentary on the use of their surplus balances in 2016/17 against their planned use submitted last May, the impact this has delivered, and the resulting level of estimated balances at end of 2016/17
- The proposed use in 2017/18 of the expected excess surplus balance at end of 2016/17
- The impact on the school if the following level of excess surplus were recovered
 - a) Up to 25%
 - b) 26%-50%
 - c) 51%-75%
 - d) 76%-100%