School Balance Control Mechanism

It is appropriate for schools to carry forward balances to pay for unforeseen eventualities and planned “one off” expenditure. The Mechanism targets schools whose balances are above the permitted 8% for Primary and Special and 5% for Secondary Schools.

The Mechanism has been designed to be:

- Forward looking;
- More specific with carry forwards only being allowed in limited circumstances;
- More accountable with the real likelihood of monies being removed from schools, which do not use them.

The principles of the Mechanism are as follows:

- Primary and Special Schools can carry forward up to 8% of the current year School Budget Share as general balances. Secondary schools can carry forward up to 5%. Anything above this is a surplus balance.
- There are four allowable purposes for which surplus balances can be used:
  1. As a revenue contribution to capital projects within a time limited maximum two year period;
  2. To maintain a reserve to fund staffing levels in the short/medium term due to a verified dip in pupil numbers;
  3. To provide reasonable and proportionate resources to fund the impact of major changes in Government policy on the curriculum for multiple subject areas. Any decisions to retain surplus balances for this reason will be subject to review by the Local Authority;
  4. Capital funds set aside for future years capital / lifecycle provision. Schools will be required to provide a summary business case explaining the reasons and this will be subject to review by the Local Authority.

The surplus balance will be calculated by excluding any community focused extended school balance. PFI commitments may also be reviewed separately.

Schools will lose their surplus balances:-

- If they do not inform the LA of the governing body decision before 30 June that there are proposals to use any surplus balances and that those proposals have been approved and minuted by the appropriate Governing Body before 30 June.
- If the proposals do not relate to one of the allowable purposes for the use of surplus balances.
- If the Utilisation of Balances Pro-forma is incomplete.
- If the intended use of the balance was on a capital project, which has not materialised at the end of the time limited two year period and detailed on the completed form.

Surplus balances removed from schools will normally be redistributed to all maintained schools holding less than the permitted surplus percentages – 8% primary and special and 5% secondary (excluding academies).

Schools will only be allowed to hold surplus balances for the lesser of their initial forecast spend profile as detailed on the budget plan or a maximum of two years with the exception of allowable purpose number 4 as this is not time limited. The reasons for the end of year balance shown on the current budget plan must be stated on the Utilisation of Balances form. During this period the surplus balance of a school cannot be built up
over and above what has initially been agreed in the budget plan. Any increase in the surplus balance above what was approved in the budget plan will be redistributed to schools holding less than the permitted percentage balances. Any balances that schools lose as they become time-expired will also be redistributed using the principles outlined above.

The procedure to obtain approval to carry forward surplus balances is as follows:

- Schools will complete a Balance Control Mechanism form known as the Utilisation of Balances form and return to the school's finance team by the 30 June. This form must be completed fully and the relevant minutes at the governing body or sub-committee meeting must be attached detailing the decisions agreeing to spend the surplus balances or retain them for a period of two years.
- The Schools finance team will monitor the balances and remove surplus balances as detailed above if the Utilisation of Balances form does not comply with the revised principles of the Mechanism. The Schools finance team will also ask for a breakdown and evidence of expenditure plans.
- Schools will be monitored to make sure spend is realised as per the Utilisation of Balances form, it is the intention that surplus balances will be removed in the summer term of the following financial year if the spend does not materialise within the timescale detailed.
- Schools will have surplus balances accrued for allowable purposes removed if not spent within the planned expenditure profile.

The process is summarised in the flowchart at Appendix A below and a copy of the Utilisation of Balances form is shown at Appendix B.

Please note however, it was agreed at Schools Forum on 19th May 2019 that it was the Council’s proposal that surplus balances for 2018/19 would not be removed from maintained schools as the Council understands the financial pressures/difficulties faced by schools in future years. We will however be working closely with schools in 2019/20 and beyond to ensure schools with surplus balances do have a plan for use of such balances and will also be looking at a review of the current balance control mechanism.
**SCHOOL BALANCE CONTROL MECHANISM 2019/20**

Budgets issued annually to schools in February for the following financial year (April 19 – March 20)

Final year end position for 2018/19 calculated and notified to school

School prepares a budget plan (April 2019 – March 2020) and returns a signed copy to the schools finance team by 31st May 2019.

Does the budget plan project a year end surplus balance in excess of the permitted threshold (5% Secondary and 8% Primary and Special Schools)

- **Yes**
  - **By 28th June**
    - Complete a Utilisation of Balances form for your surplus balance detailing permitted uses if applicable.
  - Schools finance team review completed form to check permitted uses.
  - **Final year end position**
    - Is the actual year end balance greater than the balance notified on the Utilisation of Balances form / Budget Plan?
      - **Yes**
        - The increased surplus balance will be removed.
      - **No**

- **No**
  - **By 28th June**
    - Complete a Utilisation of Balances form for your permitted balance detailing commitments for information only.
  - **Final year end position**
    - Is the actual year end balance now a surplus balance?
      - **Yes**
        - The surplus balance will be removed.
## UTILISATION OF SURPLUS/PERMITTED BALANCES FROM 2019/20 BUDGET PLAN

### SCHOOL

<table>
<thead>
<tr>
<th>DFE</th>
<th>Please Select from the list</th>
<th>Yellow highlighted cells for completion</th>
</tr>
</thead>
</table>

Note: In Primary & Special Schools balances less than 8% are classed as **PERMITTED** whereas balances over 8% are classed as **SURPLUS**.

Note: In Secondary & Special Schools balances less than 5% are classed as **PERMITTED** whereas balances over 5% are classed as **SURPLUS**.

The governing body intends to utilise the 2019/20 surplus/permissioned balances from the 2019/20 budget plan as follows:

- **End of year revenue balance (ie contingency) - from ORIGINAL budget plan governors summary**
- **End of year revenue balance (ie contingency) % - from ORIGINAL budget plan governors summary**

The value of your **SURPLUS** balance above the permitted level - from ORIGINAL budget plan governors summary is the amount to be committed on this form.

The value of your **PERMITTED** balance - from budget plan governors summary is the amount to be committed on this form - for information only.

<table>
<thead>
<tr>
<th>Reason assigned (Surplus balance only) - must be one of the reasons below</th>
<th>Year money assigned</th>
<th>Evidence Needed</th>
<th>Value</th>
<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a revenue contribution to capital projects within a time limited maximum 2 year period.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To maintain a reserve to fund staffing levels in the short/medium term due to a verified dip in pupil numbers.</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To provide reasonable and proportionate resources to fund the impact of major changes in Government policy on the curriculum for multiple subject areas. Any decisions to retain surplus balances for this reason will be subject to review by the Local Authority.</td>
<td>3</td>
<td>State the financial year in which the balances will be assigned - for surplus balance it should be 2019/20 or 2020/21 unless the balance is assigned to reason 4 (as no timescale)</td>
<td>Decision recorded in Governing body or sub-committee minutes (for surplus balances)</td>
<td></td>
</tr>
<tr>
<td>Capital funds set aside for future years capital / lifecycle provision. Schools will be required to provide a summary business case explaining the reasons and this will be subject to review by the Local Authority.</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CUMULATIVE BALANCES COMMITTED BY GOVERNORS:**

---

**Uncommitted Balances/general contingency:**

---

Signed: ____________________________

HEAD TEACHER

Date: ____________

To be returned to: Schools Finance Team, Level 13 Civic Centre, West Street, Oldham, OL1 1XJ by the latest 28-06-2019

or email to: schoolsfinance@oldham.gov.uk