

Dear Colleague

Consultation on the removal of the Control on Surplus Balances mechanism from Shropshire's Scheme for the Financing of Schools

Shropshire's Scheme for the Financing of Schools includes a control on surplus balances mechanism where individual school balances, held for three consecutive years above a threshold level, are subject to claw-back.

Threshold levels are calculated as 5% of revenue funding for secondary schools and 8% of revenue funding for primary and special schools and claw-back focusses only on schools that have held surplus revenue balances above the threshold levels for three consecutive years or can give no reasonable planned use for their balance. Balances clawed back are recycled within the overall schools budget for the benefit of Shropshire pupils.

The inclusion of a control on surplus balances mechanism in Shropshire's Scheme for the Financing of Schools is a local decision and not a government requirement. The Department for Education's statutory guidance states:

*The scheme **may** contain a mechanism to clawback excess surplus balances. Any mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy. The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area.*

In almost all instances in recent years, schools subject to claw-back have successfully made cases for exceptional circumstances either due to on-going/delayed building works or significant budget pressures in the following financial year. Claw-back has not been applied in these cases.

Whilst agreeing the importance of schools investing today's funding in today's pupils, at a meeting in June, Shropshire Schools Forum discussed the control on balances mechanism and its continued appropriateness given the move towards increased autonomy for schools. It was noted that the Scheme for the Financing of Schools applies to local authority maintained schools only and that academies are not subject to the same control mechanism. The local authority will continue to support and challenge local authority maintained schools to make the best use of their funding for the benefit of their pupils through the school performance monitoring process.

It was agreed to consult Shropshire maintained schools on the removal of the control on surplus balances mechanism from Shropshire's Scheme for the Financing of Schools and replace with the following wording:

'Keeping a modest balance from year to year is prudent, but if a school is building up a substantial surplus there should be a clear plan for how it will be used to benefit pupils'

Schools are asked to complete the consultation questions below and return to Jo Jones, School Funding Team, Learning and Skills, Shropshire Council, Shirehall, Shrewsbury, SY2 6ND or email schoolfunding@shropshire.gov.uk by Friday 19 October 2018.

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Question	Yes/No/Don't know	Comments
Do you agree that the control on surplus balances mechanism should be removed from Shropshire's scheme for the financing of schools?		
If yes, do you agree that the following wording should be included instead: <i>'Keeping a modest balance from year to year is prudent, but if a school is building up a substantial surplus there should be a clear plan for how it will be used to benefit pupils.'</i>		

Signed _____

School _____

Position _____

Date _____