

**HEREFORDSHIRE SCHOOLS FORUM
BALANCE CLAW BACK PROPOSALS
SUMMARY OF SCHOOL RESPONSES**

Q1: Phase of school	Primary Y/N	Secondary Y/N
Please indicate LA maintained school	16	3
Please indicate if academy	2	3

Q2: BALANCE CLAW BACK Please answer individually for each proposal	Please answer Yes or No
<p>Please indicate your preference for support of the balance claw back scheme proposals as follows</p> <p>Proposal A</p> <p>It is proposed to re-introduce the previous balance claw back scheme for financial year 2015/16 as follows;</p> <p>a secondary schools – to claw back balances in excess of 5% of the current year’s budget share or £50,000 whichever is the greater</p> <p>b special schools – to claw back balances in excess of 5% of the current year’s budget share (i.e. place plus top-up funding) or £30,000 whichever is the greater</p> <p>c primary schools – to claw back balances in excess of 8% of the current year’s budget share or £30,000 whichever is the greater</p> <p><u>Please note:</u> balance claw backs will be applied to school balances as at March 2016.</p> <p>Proposal B</p> <p>That the proposal A should be introduced more gradually so that schools can make an informed decision to reduce balances over a three step process as follows</p> <ul style="list-style-type: none"> 2015/16 that the balance claw back percentages be set at 25% for all schools 	<p style="text-align: center;">Yes 2 (incl 1 academy)</p> <p style="text-align: center;">No 20 (incl 4 academies)</p> <p style="text-align: center;">Yes 14 (incl 3 academies)</p> <p style="text-align: center;">No 8 (incl 2 academies)</p>

<ul style="list-style-type: none"> • 2016/17 percentages be set at 15% for all schools • 2017/18 Proposal A be fully implemented 	
<p>Proposal C That academies should be included in the balance claw back scheme on a voluntary basis.</p>	<p>Yes 13 (incl 2 academies)</p> <p>No 8 (incl 3 academies)</p>
<p>Q3 CLAW BACK SCHEME FOR HEREFORDSHIRE SCHOOLS If academy schools chose not to join the balance claw back scheme, do you wish the claw back scheme to</p> <p>A. go ahead but only for local authority schools?</p> <p>B. Not go ahead unless all academies are included?</p>	<p>Yes 4 (incl 2 academies) No 15 (incl 2 academies)</p> <p>Yes 15 (0 academies) No 6 (incl 3 academies)</p>
<p>Q4: ACADEMY CERTIFICATION In order that Schools Forum can have complete information on the willingness of Herefordshire academies to participate in the balance claw back scheme, academies are asked to sign the endorsement below if willing to be included in the balance scheme.</p>	
<p>3 academies certified as willing to participate (one was subject to the new headteacher's agreement).</p>	

GENERAL COMMENTS

1. My view is that it is reasonable and prudent for schools to have a balance of 5%-15% of budget share and therefore I would not claw back any balances under about 20%
2. I fully believe that clawback should be applied, however it would be very difficult to justify for LA schools only, if the resulting share-out was to include academies. Therefore very reluctantly I believe that the penalty of a clawback would not be able to be applied unless academies volunteer to take part.
3. It is inequitable for the claw back to be distributed to academies who themselves are not subject to the rules. They can therefore build up surpluses and still benefit from maintained schools' penalties for doing the same. Assuming an increase in the proportion of academies to maintained school, this inequality will increase with time. It could be construed as an incentive to convert.

I cannot imagine why an academy would voluntarily agree to join a scheme that can only be detrimental to their funding.

Where schools are increasing in numbers, surplus is required to fund additional staff whilst funding streams catch up with increases in number of classes – therefore penalising successful schools with sound financial management.

4. No consideration has been given to why schools may have surplus budgets – surely it would be a good starting place to meet with the HT's and Chairs of Governors for these schools.
5. The data shown does not include information about capital projects schools are planning to finance from balances held. This is a valid reason for holding back funds. It is particularly unfair for small schools, who receive additional funding, to be retaining high balances. This additional funding is at the expense of larger schools. It would seem fair for small schools with very high balances to cease to receive additional funding because of their size.
6. We are in uncertain political and financial times. Surely it is good practice to ensure that there is a financial cushion in place for a small school, so that there is some flexibility for whenever the time comes that it is needed? We are being penalised for sound financial management.
7. For the fairer funding initiative to be fully effective, the carry forward balances should reflect the correct level against income. Carry forward balances used as a cushion should not form part of a school's balance sheet any longer. The current situation is not in the best interests of this authority.
8. I agree with the clawback in principle however feel that it should be closer to 10% and be the same for all schools regardless of phase, size or type.
9. Believe in spending the schools' annual income on the children who are currently on role, to that end claw-back has a place. However, for smaller schools, an 8% cap on carry forward balances will limit the settings ability for forward planning on large scale projects

related to school improvement. I would propose that any claw-back limit should be set at 20% of the schools budget; this would support schools and their governance in prudent financial management, help to alleviate the risk of deficit whilst encouraging annual expenditure. With regard to Voluntary Aided Schools the necessity to transfer their c/f (set aside to help fund building projects) to the Capital Budget to avoid claw back would incur a 20% financial penalty and this cannot be considered to be prudent financial management. A prohibitive claw back may only encourage more schools to seek 'Academy' status and further weaken the position of the Local Authority.

If a claw-back is to be reintroduced a phased 're-entry' is essential in order to allow schools to achieve goals laid out in school development Plans etc. Consideration could be given to limiting the percentage increase on carry forward per annum to a maximum of 20% over 4 years. I would also suggest that a wider understanding is needed from schools as to how their carry forwards effect future funding applications to central government. This approach fosters understand and may have the same overall effect, i.e. reducing carry forwards.

I know many schools feel that funding is not currently distributed evenly; however I would be concerned if a causal link was made between funding and carry forward, I would suggest that at best it is a correlation and that some of the school with carry forwards have them for good reason.

10. I don't believe a 'Claw back' system will work, particularly as we would be taking money from LA schools and then redistributing it to all schools, including Academies who may already be holding large budgets.

I do believe the current funding formula and the move to reduce primary lump sums and increase secondary lump sums is making it almost impossible to manage financially in smaller schools, particularly where there are other primary schools close by.

We are full (PAN of 15 with 105 on roll), we do not have a deputy head but do have lots of experienced staff and teachers on UPS. We cannot manage with the continual year on year cut to our budget.

We need to consider how we can ensure there is a future for all our schools. The range of balances shown on page 1, would suggest unfairness in the current distribution of monies to school.

11. I agree there should be a phased in clawback to 12% to allow schools to manage their own budgets more effectively.
12. The issue was discussed at a Governing Body meeting and a majority of the Governors were not in support of the claw back scheme.
13. We do not agree with any of the proposed options and would like an alternative option to be added as follows:

Q4: Put on hold the process to introduce a Claw Back Scheme for the year 2015/16.

Instead start a consultation with any individual LA school with a surplus balance above the threshold to discuss their 3 year financial planning forecast for the reduction of their school balances over a 3 year period.

14 Q. What consultation was there before Herefordshire Schools Forum made the decision to re-introduce the claw back scheme? What benefit was there to having it before?

Equality should be ensured across LA and Academies. If Academies are not included in the claw back scheme they should not benefit from recovered balances.

Academies are in a position to access funding i.e. Buildings, LA schools should be able to build reserves to support future projects as they do not have such funding streams (equality)

15.

- *The college governors oppose any clawback scheme where academies could only join on a voluntary basis which they could not be bound to under any regulations in future.*
- *Q14 of the SFVS, the regulatory document for maintained schools, already requires the governing body to confirm that a school's balances are reasonable. Where the council disagrees with the response this should be a matter between the individual school and the council, and should be within the scope of monitoring work by the council to ensure schools are operating their finances in accordance with current guidelines.*
- *The requirement to adhere to a fixed % of balance removes the flexibility for schools to plan their budgets over the longer term and adjust over time for fluctuation in student rolls. In our particular case the nature of our surplus balance is very temporary and our current expenditure now exceeds income with the balance being used as an instrument to bring staff levels down in a controlled and manageable way.*

The previous clawback scheme led to artificial activity in schools around the yearend to eliminate the risk of losing cash. Technical issues – for example this year's short notice of a lower limit of £5k on individual accruals, or a late Easter causing engineering contractor work to take place in the following financial year – could drop a school into the clawback zone when in fact that excess balance has been committed to goods or services already purchased or work about to take place.

16. I would like schools to be able to manage any underspend they have themselves. If the LA wished to ensure schools were doing this effectively, they could introduce a scheme whereby schools could put forward a strategic plan to justify carrying funds forward from year to year. The LA could monitor effective use of the carry forward and ensure that schools are accountable.

17. Having carefully considered the proposals as stated in this document, the Governors are not in favour of the claw back scheme. We think that the level of 5% is too low for a special secondary school with the numbers of students, and complexities of need together with the fact that we run off two sites. 10% would represent a more realistic level of reserves. The Governors are not in favour of holding large reserves and agree that funds received should be spent on the current children in school, but of course, maintaining a realistic level of reserves for planned spend and emergencies.

- If Academies opt in on a voluntary basis then what does this mean in practice – does it mean that they can opt out at any point?

- We are mindful of the fact that any funds clawed back will be made available to all school (including Academies) and the ethical issues around that. However we would welcome clarification about the benefits of joining the scheme.
- We do think there needs to be more discussion and would be happy to feed back our concerns and thoughts through our special schools representative on School's Forum.

18. I believe that this will ensure that no schools are building up excessive reserves. However, our school does have a reserves policy that stipulates certain additional carry-over to account for anticipated larger scale spending that could not be effectively accounted for within one year's worth of formula allocation. For example, our last 5-year electrical check resulted in remedial works totalling £10,000. The school budget cannot cope with a one-off spend of this magnitude without saving money year-on-year to prepare for this spend. The same goes for ICT equipment and its lifetime (5-6 years). We cannot afford to replace 25 PCs or 22 laptops in a year. Therefore, funds have to be put aside to ensure that we can afford to replace units year-on-year. As long as we will be able to continue with this prudent policy to ensure the school remains in 'the black' then we agree with the principle of the 'claw-back' scheme.

The scheme should not be introduced if Academies do not have to take part, but will reap the reward of re-distributed funding.

Please return the questionnaire by 12 noon 6th March 2015 to:
school.funding@herefordshire.gov.uk