

Item 5

Review of Balance Control Mechanism (BCM)

Schools' Funding Forum
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Background

- BCM first introduced 10 years ago
- Our first BCM was very loose and unenforceable
- In 2007-08 we had the highest school reserves of any LA (£68m)
- Growing frustration by Ministers and the DfE ... threat of a penalty.
- With the Forum we clawed back £1.5m from schools with high reserves and poor standards

Background

- Extremely painful process for all schools affected, Forum members and LA staff
 - Sent a powerful message to all schools
 - Some useful learning – desire to tighten the BCM
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- So in Sept 2008 the BCM was reviewed . . .

Principles underpinning the review

- Revenue funding is intended to be spent in the year it which it is made available, on the pupils in the school now
- Balance limits, 8% for primary & special and 5% for secondary schools are generous, given relative stability in the funding system
- Schools should know in advance where they stand in terms of balance limits, have clarity over criteria for exceptions, and not subject to retrospective clawback

Principles continued ...

- The BCM was designed not to claw money back, but instead to encourage schools to spend their money
- Allowed up to the limit for uncommitted purposes
- Allowed over the limit for some specific limited reasons

How does the process currently work?

- Schools complete a return at 9 months stating intention to be over BCM
- At year end schools over BCM complete a return detailing reasons for excess
- Schools written to for additional evidence (currently those over £40k)
- Schools monitored throughout year to ensure funds spent for stated purpose

School Reserves – History table

		No of Schools	Over BCM	Total amount over BCM (£)		Maximum individual amount (£)
2015-16	PRUs	9	7	1,799,715		539,101
2015-16	Primary / Secondary	364	110	3,683,415		348,173
	Total	373	117	5,483,130		
2016-17	PRUs	7	7	1,713,670		503,777
2016-17	Primary / Secondary	364	65	2,689,332		369,074
	Total	371	72	4,403,002		
2017-18	PRUs	7	5	1,501,271		555,995
2017-18	Primary / Secondary	344	70	3,030,086		335,122
	Total	351	75	4,531,357		

Things to consider . . .

- Reserves are a lot less than they use to be
- Seven years of flat cash
- Less interest from Ministers / DfE
- No longer is it a mandatory requirement to have a BCM in the finance scheme
- Different rules for academies
- Concerns raised by some headteachers that the BCM is preventing them from managing their finances effectively

Things to consider ...

- Current process requires schools to tell us what they are holding reserves for
- Some additional administration for schools and the LA
- Special schools excluded from BCM from 2013-14 when Place Plus was introduced

Question

- Should we review the BCM?
- If there is an appetite, propose a small working group of Forum members and LA Finance staff to undertake the work and then report back in the autumn