


Report to:	SCHOOLS FORUM
Date:	22 June 2021
Reporting Officer:	Caroline Barlow – Assistant Director, Finance Tim Bowman – Director of Education (Tameside and Stockport)
Subject:	SCHOOL BALANCES 2020-21
Report Summary:	This report provides an update on the surplus balances held by schools at the end of 2020-21 financial year
Recommendations:	Schools Forum are asked to consider whether the claw back mechanism should be applied to 2020-21 surplus balances and approve clawback from schools except for balances held for capital purposes which should be moved to a capital reserve or where there are extenuating circumstances which will be considered on a case by case basis, as per the recommendation from School Funding Group.
Corporate Plan:	Schools spending support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supporting aspiration and hope through learning and moving with confidence from childhood to adulthood
Policy Implications:	In line with financial policies and financial regulations
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	School funding is primarily given from the Dedicated Schools Grant, which is ring-fenced for educational purposes. Under the Scheme of Financing schools are able to hold reasonable balances and any excess balances are subject to clawback by Schools Forum. Schools Forum have agreed any clawback of funds would be utilised to support the High Needs deficit recovery.
Legal Implications: (Authorised by the Borough Solicitor)	There are no immediate legal implications arising from this report save that consideration always need to had in relation to ensuring good value for money of the use of any balances.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and closure of accounts to ensure that this is achieved. These are subject to regular review
Access to Information:	NON-CONFIDENTIAL This report does not contain information, which warrants its consideration in the absence of the Press or members of the public.
Background Information:	The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, Children’s and Safeguarding Services

 Telephone: 0161 342 3216

 e-mail: christine.mullins@tameside.gov.uk

1. INTRODUCTION

- 1.1 The purpose of this report is to provide a preliminary update to Schools Forum ahead of the planned agenda item on surplus balances at the September 2021 meeting, and to confirm the approach that should be taken.

2. FINAL POSITION 2020-21

- 2.1 Table 1 summarises school balances by sector for the financial year 2020-21 and shows the movement from 2019-20 balances:

Sector	2019-20	2020-21	Movement	% Change
Primary	£5,902,860	£6,256,162	£353,302	6%
Secondary	£277,037	£1,713,736	£1,436,699	519%
Special	£876,894	£1,384,386	£507,492	58%
Totals	£7,056,791	£9,354,284	£2,297,493	33%

- 2.2 The tables shows overall balances have increased by £2.297m or 33% compared to 2019-20 and in particular:
- Primary balances have increased £0.353m or 6% and this is after £0.552m has been written out to 4 converting academies in 2020-21.
 - Secondary balances have increased by £1.437m or 519%. This is a planned increase and is largely due to 1 school significantly reducing their deficit in year and another school recovering their deficit in year.
 - Special school balances have increased by £0.507m or 58%.

3. BALANCE CONTROL MECHANISM

- 3.1 2020-21 is the 1st year of where changes to the schools clawback mechanism agreed by Schools Forum can be applied. School Forum decided that if schools had an excess surplus balance (beyond approved levels) for 2 consecutive years the excess would be subject to claw at 50%. Schools Forum have agreed any claw back balances would be used to support recovery of the High needs deficit.
- 3.2 A review of the schools surplus balances against their approved surplus balances at 30 June 2020 has identified there are potentially 12 schools at risk of claw back from 2020-21 balances. See table 2 below:

No of Schools with Excess Balance	No of years with Consecutive Excess Surplus	Total Excess Surplus Balances	At Risk of Claw Back at 50%
7	Year 1	£241,330	£0
12	Year 2	£905,001	£452,500
19		£1,146,331	£452,500

- 3.3 Schools are aware of the process surrounding clawback of excess reserves and those holding excess reserves have over the past 2 years been asked to confirm spending plans and confirm what they will be utilising those balances for. Schools have been receiving letters over the past couple of weeks,, notifying them they are at risk of clawback. However they have not yet been informed of any plans to claw back the above balances. Before the clawback is invoked, schools forum's direction is request as to whether or not there are any exceptional circumstances to consider before the process is undertaken with schools. The

obvious one being the impact of Covid, particularly around delays in spending plans relating to capital projects

- 3.4 School Funding Group met 18 May 2021 and the issue of clawback was discussed. The group discussed whether a general exemption should be given to all schools due to the pandemic and the impact of multiple lockdowns. The group agreed that, whilst schools may have had delay to capital works, other spending proposals could have progressed. The group also felt that some schools had historic balances going back quite some time which would continue to run if action was not taken this time.
- 3.5 The group recommend that a review of a case by case basis should be made. Where a school is holding monies for a capital scheme that should be passed over to the council to hold in the specific reserve that was established for such circumstances. The group believe the clawback mechanism should be invoked as per the scheme where circumstances are not extenuating.

4. CONCLUSION

- 4.1 Schools Forum are asked to consider:
- a) Whether exceptional circumstances should be applied across all schools for 2020-21 and no claw back should take place?
 - b) Whether claw back should be reviewed on an individual school basis?
 - c) Whether claw back should go ahead as planned and the £0.452m at risk be removed from schools?
- 4.2 School Funding Group discussed the matter 18 May 2021 and supported option b.

5. RECOMMENDATIONS

- 5.1 As set out at the front of the report.