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| <b>Report to:</b>  | <b>SCHOOLS' FORUM</b>   |
| <b>Date:</b>   | 27 September 2022   |
| <b>Reporting Officer:</b>  | Caroline Barlow – Assistant Director, Finance<br>Tim Bowman – Director of Education (Tameside and Stockport)  |
| <b>Subject:</b>  | <b>SCHOOL BALANCES</b>  |
| <b>Report Summary:</b>   | <p>This reports provides:</p> <ul style="list-style-type: none"> <li>• Further review of 2021-22 Excess Surplus Balances at risk of clawback</li> <li>• Details of the 2022-23 Surplus Balances approved in line with the Balance Mechanism Scheme</li> </ul>   |
| <b>Recommendations:</b>  | <p>School Forum members are asked to consider the following recommendations;</p> <ul style="list-style-type: none"> <li>• Forum members are asked to consider the 2021-22 excess surplus balances at risk of claw back and the exceptional circumstances for having excess balances included at Appendix one.</li> <li>• Forum members are asked to review on a line-by-line basis and agree or reject the recommended treatment of the claw back or movement to capital reserve for individual schools.</li> <li>• Forum members are asked to approve that any balances clawed back from schools will be used to offset the High Needs Deficit.</li> <li>• Forum members are asked to note the 2022-23 excess surplus balance position.</li> </ul> |
| <b>Corporate Plan:</b>   | Education finances significantly 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 supports Aspiration and Hope through learning and moving with confidence from childhood to adulthood.  |
| <b>Policy Implications:</b>  | In line with financial policies and financial regulations.  |
| <b>Financial Implications:</b><br><b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b> | 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.  |
| <b>Legal Implications:</b><br><b>(Authorised by the Borough Solicitor)</b>   | The legal implications in relation to the operation of the balance Mechanism Scheme are included in the main body of the report.  |
| <b>Risk Management:</b>  | 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



Telephone: 0161 342 3216



e-mail: [christine.mullins@tameside.gov.uk](mailto:christine.mullins@tameside.gov.uk)

## **1. INTRODUCTION**

- 1.1 This report covers 2 elements of surplus school balances. The first is a further detailed review of the excess surplus balances at risk of claw back at the end of 2021-22 financial year as requested and discussed at the last schools forum in June 2022. The second element is to update members of the 2022-23 surplus balances currently held by schools and approved in line with the Balance Control Mechanism Scheme.
- 1.2 All schools receive their delegated budget share based on the Local Funding Formula and governing body have delegated powers and responsibilities to manage and deploy their financial resources in accordance with their agreed aims and objectives to achieve the best outcomes for pupils.
- 1.3 Maintained schools are permitted to carry forward any year-end surplus/deficit recorded at the 31 March to the following financial year as long as they conform to rules of the Balance Control Mechanism Scheme.

## **2. 2021-22 EXCESS SURPLUS BALANCES AT RISK OF CLAWBACK**

- 2.1 The report submitted to forum in June 2022 identified 17 schools with excess surplus balances above permitted levels and of these 10 schools had carried an excess surplus balances for 2 consecutive years so 50% of the balance is at risk of clawback.
- 2.2 At the June 2022 meeting, Forum members took a decision in principle to invoke the claw back mechanism to 2021-22 excess surplus balances subject to giving schools an opportunity to provide details of any exceptional circumstances.
- 2.3 Schools were contacted to ask if they wanted to put forward a case of exceptional circumstances as to why the balance hadn't been spent. Of the 10 schools contacted, 8 put forward letters for consideration.
- 2.4 **Appendix 1** below includes an anonymised summary of the correspondence reviewed from schools based on the previous Forum 'in principle decision' to claw back and recommendations. The review also includes a recommendation on whether the exceptional circumstance impacts or has caused the 2021 excess surplus.
- 2.5 It is recommended that 2 schools are asked to move the funds held to capital reserves to support the delayed capital works the school is due to undertake. The other 8 letters received outline what they would spend the balance on, rather than what the exceptional reasons were for still holding the balance, one school has outlined the reasons for holding higher balances.
- 2.6 Schools Forum are asked to approve or reject invoking the clawback for each school.

## **3. 2022-23 SURPLUS BALANCES CURRENTLY HELD BY SCHOOLS**

- 3.1 Following submission of the approved budget plans in May 2022, 11 schools (9 primary, 1 secondary schools and 1 special school) submitted plans with surplus balances above the sector thresholds for the financial year 2022-23.
- 3.2 In line with the Balance Mechanism Scheme, these schools have also submitted an approved Utilisation of School Balances form identifying reasons for holding the surplus.
- 3.3 Schools Finance Team will continue to monitor schools balances in year.

- 3.4 A further update will be brought to Forum once school balances for 2022-23 are finalised. Forum Members will be asked to review any action in line with the Balance Mechanism Scheme regarding invoking the claw back on 2022-23. Schools' Forum will be asked to consider any exceptional circumstance that should be taken into account

#### **4. RECOMMENDATIONS**

- 4.1 Forum members are asked to consider the review of the 2021-22 excess surplus balances at risk of claw back and exceptional circumstance requests included at **Appendix 1**.
- 4.2 Forum members are asked to review on a line-by-line basis and agree or reject the recommended claw back or movement to Capital reserve on each school.
- 4.3 Forum members are asked to approve that any excess balances clawed back from schools will be used to offset the High Needs Deficit.
- 4.4 Forum members are asked to note the 2022-23 excess surplus balance position.

## APPENDIX 1- Review of Year 2 Excess Surplus Balances 2021-22

| School        | Surplus Balance 2021-22 £ | Surplus Balance 2021-22 % | Excess above Permitted Levels £ | Excess above Permitted Levels % | Potential Claw Back at 50% | Movement to Capital Reserve £ | Note  | Recommendation for Schools Forum Approval       |
|---------------|---------------------------|---------------------------|---------------------------------|---------------------------------|----------------------------|-------------------------------|---|---|
| 1             | £513,713                  | 25.51%                    | £272,022                        | 13.51%                          | £136,011                   | -£275,000                     | School accessed Capital Reserve   | No further action required                      |
| 2             | £566,862                  | 11.47%                    | £106,060                        | 2.18%                           | £53,030                    | £0                            | Delays on capital project. £14k identified on the balances approval has been removed the remaining excess was not approved. School confirm they have a delayed £250k capital project underway which is still affordable from the £513k excess that will remain.               | Remove Excess                                   |
| 3             | £183,746                  | 18.28%                    | £63,133                         | 6.28%                           | £31,566                    | £0                            | No formal request from school in last 2 years school always budgeted to be under the excess balance limit. A letter from school indicates they are facing cost issues relating to the roof and SEND but no reasons as to why balances haven't been spent                      | Remove Excess                                   |
| 4             | £353,315                  | 18.05%                    | £60,430                         | 3.09%                           | £30,215                    | £0                            | Letter received does not show any exceptional circumstances why balances haven't been spent. School indicates it would spend balances on supporting SEND provision in school.   | Remove Excess                                   |
| 5             | £208,229                  | 18.75%                    | £54,738                         | 4.93%                           | £27,369                    | £0                            | School citing poor previous financial advice from previous Business Manager and One Education so hadn't realised that they had spare balances. They have emergency health and safety works they could have done, and capital works that have not carried out that are needed. | Remove Excess                                   |
| 6             | £260,694                  | 14.50%                    | £35,123                         | 1.96%                           | £17,562                    | £0                            | No exceptional circumstances received   | Remove Excess                                   |
| 7             | £274,840                  | 13.65%                    | £33,234                         | 1.65%                           | £16,617                    | £0                            | School identified rising capital cost going forward but doesn't show exceptional circumstances why balances haven't been spent.   | Remove Excess                                   |
| 8             | £224,120                  | 13.98%                    | £31,793                         | 1.98%                           | £15,897                    | £0                            | No exceptional circumstances received   | Remove Excess                                   |
| 9             | £138,877                  | 15.25%                    | £29,925                         | 3.25%                           | £14,963                    | £0                            | No letter received, School surplus relates to delayed on capital projects. Schools Forum are asked to recommend money is put in separate capital reserve.   | School move to Capital Reserve or Remove Excess |
| 10            | £144,224                  | 12.93%                    | £10,195                         | 0.93%                           | £5,097                     | £0                            | Letter received does not show any exceptional circumstances why balances haven't been spent although school do have pressures on capital spend going forward  | Remove Excess                                   |
| <b>Totals</b> | <b>£2,868,620</b>         |                           |                                 |                                 | <b>£348,327</b>            |                               |   |   |