

Report to:	SCHOOLS FORUM
Date:	20 June 2023
Reporting Officer:	Ashley Hughes – Director of Resources Jane Sowerby – Assistant Director of Education
Subject:	SCHOOL BALANCES 2022-23
Report Summary:	This report provides an update on the surplus balances held by schools at the end of 2022-23 financial year.
Recommendations:	Schools Forum are asked to: <ul style="list-style-type: none"> • Note the contents of the reports and the position of schools balances at the end of 2022-23 • Note a decision on whether the claw back mechanism should be applied to 2022-23 excess surplus balances will be bought to the next Forum in September
Corporate Plan:	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.
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. Details of the grant and balances are set out in the main body of the report.
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 Jerome Francis



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1. INTRODUCTION

- 1.1 The purpose of this report is to provide an update on the final position on maintained schools balances for 2022-23 and to consider any claw back of excess surplus balances.
- 1.2 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. FINAL POSITION 2022-23

- 2.1 **Table 1** summarises school balances by sector for the financial year 2022-23 and shows the movement from 2021-22 balances:

TABLE 1: Final Position School Balances 2022-23

Sector	2021-22	2022-23	Movement	% Change
Primary	£5,016,309	£4,621,227	£395,082	-8%
Secondary	£2,913,368	£4,024,117	(£1,110,749)	38%
Special	£1,364,225	£1,102,114	£262,111	-19%
Totals	£9,293,902	£9,747,458	(£453,556)	5%

- 2.2 The table shows overall balances have increased by £0.453m or 5% compared to 2021-22 and in particular:
- Primary balances have reduced by £0.395m or -8%
 - Secondary balances have increased by £1.111m or 38% and
 - Special balances have reduced by £0.262m or -19% but this is largely due to an academy conversion
 - The above movement also includes the clawback of schools 2021-22 excess surplus balances of £0.197m and the writing out of balances due to schools converting to academy of £0.330m

3. BALANCE CONTROL MECHANISM AND EXCESS SURPLUS BALANCES

- 3.1 Under the Balance Control Mechanism a school is classed as carrying an excess surplus balance if their year-end balance has either :
- exceeded the approved surplus balance submitted to the Local Authority in June 2022 or,
 - school didn't submit a return to hold balances above the sector threshold but their year-end actual balances are above the sector threshold permitted
- 3.2 A review of the 2022-23 year-end surplus balances has identified 9 schools with excess surplus balances totalling £0.659m shown in **Table 2** below. This is a reduction compared to the 17 schools totalling £1.350m in 2021-22.

TABLE 2: No of Schools with Excess Surplus Balances 2022-23

No of Schools with Excess Balance	No of years Hold Excess Surplus	Total Excess Surplus Balance	At Risk of claw Back at 50%
6	Year 1	£461,584	£0
3	Year 2	£197,790	£98,985
9		£659,374	£98,985

- 3.3 A number of schools have utilised the Capital Reserve within the scheme and current level of balances held in the Capital Reserve is £1.065m, this is an increase on the 2 schools that earmarked a total of £0.390m in 2021-22.

TABLE 3: Earmarked Capital Reserves

No of Schools with Earmarked Capital Reserves *	Year Invested in Capital Reserve	Total Earmarked Reserve
2	2021-22	£390,000
6	2022-23	£675,442
Total		£1,065,442

* One school has earmarked funds in both years

4. SCHOOLS AT RISK OF CLAWBACK

- 4.1 All schools with an excess balances in either year 1 or year 2 have been notified and as **Table 2** shows, there are currently 3 schools with balances totalling £98,985 at risk of clawback.
- 4.2 All 3 schools have submitted information they wish to be considered as exceptional circumstances resulting in the excess surplus.
- 4.2 As in the previous year the LA plans to gain views and a steer from the School Funding Group then bring forward recommendations to be presented to the next Schools Forum meeting in September, at which point, members will be asked to make a decision on whether exceptional circumstances apply or whether the excess balances should be clawed back.
- 4.3 A meeting date is yet to be confirmed with School Funding Group, as a review of the Terms of Reference is currently taking place, but this and the next meeting is scheduled to take place late June/early July.

5. CONCLUSION

- 5.1 School balances held by maintained schools have increased to £9.747m in 2022-23 compared to £9.294m in 2021-22
- 5.2 Whilst balances have increased, the number of schools holding excess surplus balances has reduced to 3 schools, totalling £0.659m in 2022-23. This is a reduction compared to the 17 schools totalling £1.350m in 2021-22.
- 5.3 More schools have utilised the Capital Reserve in 2022-23, with the balance now sitting at £1.065m and 7 schools earmarking funds for future capital projects.

6. RECOMMENDATIONS

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