

<b>Report to:</b>	<b>SCHOOLS' FORUM</b>
<b>Date:</b>	26 September 2023
<b>Reporting Officer:</b>	Gemma McNamara – Interim Assistant Director of Finance Jane Sowerby – Assistant Director of Education
<b>Subject:</b>	<b>SCHOOL BALANCES</b>
<b>Report Summary:</b>	<p>This report provides.</p> <ol style="list-style-type: none"> <li>1. A further update and review of 2022-23 excess surplus balances at risk of clawback</li> <li>2. Details of the 2023-24 Surplus Balances approved in line with the Balance Mechanism Scheme</li> </ol>
<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 2022-23 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 clawback from affected 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 2023-24 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 supporting 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> <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> <b>(Authorised by the Borough Solicitor)</b>	There are no immediate legal implications arising from this 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 – Finance Business Partner, Financial Management, Children's and Safeguarding Services



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## **1. INTRODUCTION**

- 1.1 This report covers two elements of schools' surplus balances. First the report provides a detailed review of excess surplus balances and those schools with 2022-23 balances at risk of clawback as discussed at the last forum meeting in June 2023. The report also provides members with an update on the position of schools' excess surplus balances in 2023-24 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 bodies 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 balances recorded at the 31 March to the following financial year as long as they conform to rules of the Balance Control Mechanism Scheme.

## **2. 2022-23 EXCESS SURPLUS BALANCES AT RISK OF CLAWBACK**

- 2.1 The forum report in June 2023, identified 9 schools with excess surplus balances, of these, 6 schools have excess balances totalling £0.462m that were in their first year of an excess balance so these balances are not at risk of clawback in 2023-24. The remaining 3 schools have carried an excess surplus balance for 2 consecutive years and totals £0.197m. Under the Balance Control Mechanism Scheme 50% of these balances are at risk of clawback i.e., a total of £0.098m.
- 2.2 The 3 affected schools have all submitted a request that exceptional circumstances be considered and as in previous years these have been reviewed and discussed in detail at the Schools Funding Group in July 2023.
- 2.3 **Appendix 1** below includes an anonymised summary of the correspondence received from schools and the recommendations made following discussion with Schools Funding Group.
- 2.4 Schools Forum are asked to approve or reject invoking the clawback for each school.
- 2.5 Any balances clawed back will be used to offset the High Needs Deficit as agreed by Forum in previous years.

## **3. 2023-24 SURPLUS BALANCES CURRENTLY HELD BY SCHOOLS**

- 3.1 Following submission of the approved budget plans for 2023-24, 7 schools (6 primary and 1 secondary school) have submitted plans with surplus balances above the sector thresholds for the financial year 2023-24.
- 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 A further 8 schools have utilised the Capital Reserve and a total of £1.065m is earmarked for projects over the next financial year.
- 3.4 The Schools Finance Team will continue to monitor schools balances in year and a further update will be brought to Forum once 2023-24 balances are finalised at the end of the financial year.

#### **4. RECOMMENDATIONS**

- 4.1 Forum members are asked to consider the review of the 2022-23 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 claw back.
- 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 2023-24 excess surplus balance position.

**APPENDIX 1**

<b>SCHOOL</b>	<b>AT RISK 2022-23</b>	<b>CLAW BACK 2021-22</b>	<b>REASONS</b>	<b>RECOMMENDATIONS FOR SCHOOLS FORUM APPROVAL</b>
Special	£57,150	£0	£53k outstanding charges for PFI repairs relating to 2022-23 and previous years. This doesn't include damages but the average over the last 2 years was £24k. Projecting future deficits if staffing changes go ahead.	School Funding Group recommended if the late charges can be verified these should be excluded from any clawback. School would still be liable for an approx. £25k clawback. SFG recommended this should still stand.
Primary	£4,054	£31,566	Protracted recruitment of new SBM, vacancy for a while so coasting with surplus balances and vacancy saving £6,600. Delay also created lag in MUGA project, bulk of project £46k will now fall in 23-24 (£20k in 22-23) insurance reimbursement staff £11k & £6.5k last Ukrainian funding short notice plus additional EY's admissions - would use to offset future deficits	School Funding Group feel that mitigations are valid in light of SBM now being in post and the school would have utilised Capital Reserve if in post at the time.
Special	£37,691	£30,215	Accept financial management needs to be addressed, second year at risk of clawback. Challenging situation based on changes in leadership, Governors should have challenged budget and head and Governors trying to manage low level of spend on staffing, projecting future deficits if staffing changes go ahead.	School Funding Group didn't feel the reasons for mitigating circumstances should be accepted.