


Report to:	SCHOOLS' FORUM
Date:	29 September 2020
Reporting Officer:	Tom Wilkinson – Assistant Director, Finance Tim Bowman – Assistant Director, Education
Subject:	SCHOOL BALANCES 2019-20
Report Summary:	This report provides: <ul style="list-style-type: none"> • An update of the surplus balances held by schools at the end of 2019-20 financial year • Details of the current Balance Mechanism Scheme and current balances for 2020-21
Recommendations:	Schools' Forum are asked to note the position of schools balances 2019-20.
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:	As outlined in the body of the report.
(Authorised by the statutory Section 151 Officer & Chief Finance Officer)	
Legal Implications:	Overall effective use of resources across Tameside schools is a key component in the Authority's Annual Use of Resources Statement. We need to ensure any approach is maintained and kept under review and perverse incentives do not occur. It is important that there is fairness and equality across the system as every child matters and due consideration needs to be given to effective clawback mechanisms.
(Authorised by the Borough Solicitor)	
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

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1. INTRODUCTION

- 1.1 The purpose of this report is to update Schools' Forum members on the schools surplus balances at the end of the 2019-20 financial year.
- 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. FINAL POSITION 2019-20

- 2.1 Table 1 summarises school balances by sector for the financial year 2019-20 and shows the movement from 2018-19 balances:

Table 1 School Balances 2019-20 compared to 2018-19.

Sector	2018-19	2019-20	Movement	% Change
Primary	£7,003,697	£5,902,860	(£1,100,837)	-16%
Secondary	(£22,797)	£277,037	£299,834	-1315%
Special	£408,373	£876,894	£468,521	115%
Totals	£7,389,273	£7,056,791	(£332,482)	-5%

- 2.2 The table identifies overall school balances have reduced by £0.332m or 5% compared to 2018-19, in particular:
- Primary sector balances have reduced by £1.101m but this does include academy conversions which is equate to £0.555m of this reduction (six academy conversions in 2018-19 and 1 in 2019-20)
 - Secondary sector balances have an improved deficit position and have reduced a small deficit to a surplus and by £0.299m
 - The special sector balances have increased by £0.469m
- 2.3 Table 2 below analyses further the overall balances split by those schools in surplus and those schools closing the financial year with a deficit balance.

Table 2 – school balances 2019-20 analysed by surplus and deficit balances

Sector	No	Surplus	No	Deficit	Total
Primary	49	£5,927,243	2	(£24,383)	£5,902,860
Secondary	4	£1,456,617	2	(£1,179,580)	£277,037
Special	5	£876,894	0	£0	£876,894
Totals	58	£8,260,754	4	(£1,203,963)	£7,056,791

3. REVIEW OF 2019-20 SCHOOL BALANCES IN LINE WITH THE BALANCE MECHANISM SCHEME

- 3.1 There were a number of changes to the Balance Mechanism Scheme in 2019-20 and these included:
- The % thresholds for surplus balances increased from 8% to 12% in primary and special schools.

- The % thresholds for surplus balances increased from 5% to 9% in secondary schools.
- An interest bearing Capital Reserve will be established to allow schools to transfer balances set aside for to specific capital projects.
- The clawback of surplus balances will apply to balances held in excess of two consecutive years and at a rate of 50%.
- Any balances clawed back from schools will be used to offset High Needs Block overspend, subject to compliance with regulations.
- The clawback agreement will be reviewed annually.
- Exceptional circumstances will be considered with regard to clawback.

3.2 Taking into account the changes above, all surplus balances have been reviewed in line with the Utilisation of School Balances Forms submitted by schools in June 2019 and those schools that exceeded their approved surplus balance have been contacted by the Schools Finance Team (in June 2020) and advised their surplus balances maybe at risk of claw back at the end of 2020-21 (i.e. they have a second year excess balance).

3.3 The table below shows the total number of schools with a surplus balance and whether the balances are within the permitted sector threshold or not.

Table 3 – schools with surplus balances and schools with excess surplus balances

Sector	Schools below Sector threshold		Schools above sector threshold		Balances at risk and eligible for potential claw back in year 2	
	No	£	No	£	No	£
Primary	34	£2,299,550	16	£3,627,692	13	£904,109
Secondary	2	£303,289	2	£1,153,328	2	£150,997
Special	5	£876,894	0	£0	0	£0
Totals	41	£3,479,733	18	£4,781,020	15	£1,055,106

4. SURPLUS BALANCES 2020-21

4.1 Following submission of the approved budget plans in May 2020, 9 schools (8 primary and 1 special schools) submitted plans with surplus balances above the sector thresholds for the financial year 2020-21.

4.2 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.

4.3 Schools Finance Team will continue to monitor schools balances

4.4 A further update will be brought to forum once school balances for 2020-21 are finalised. Forum Members will be asked to review any action in line with the Balance Mechanism Scheme regarding invoking the claw back. Schools' Forum will be asked to consider any exceptional circumstance that should be taken into account.

5. DEFICIT SCHOOLS

5.1 The table below gives Forum information regarding maintained schools in Tameside who are facing financial difficulty with a comparison of the balances position at year-end 2018-19 and 2019-20.

Sector	No	Closing Deficit 2018-19	No	Closing Deficit 2019-20	Total
Primary	1	(£9,056)	2	(£24,383)	(£15,327)
Secondary	2	(£1,567,092)	2	(£1,179,580)	£387,512
Special	2	(£17,344)	0	£0	£17,344
Totals	5	(£1,593,492)	4	(£1,203,963)	£389,529

- 5.2 In 2018-19, five schools closed the financial year with a deficit balance and in 2019-20, four of those schools were licenced to operate a deficit budget by the Assistant Director of Finance and the Assistant Director of Education in line with the Tameside Scheme of financing. The primary school affected was an academy conversion. The remaining four have made progress in terms of recovering the deficit position. The two Special schools are now back into a balanced position.
- 5.3 At the end of 2019-20, two further primary schools closed the financial year with a deficit balances totalling £24k and both secondary schools although in deficit did improve the position by £388k.
- 5.4 Currently in 2020-21 the two secondary schools continue be licenced to operate a deficit budget and three primary schools have applied to operate a deficit budget in 2020/21, one has been approved and work is continuing with the two remaining primaries.
- 5.5 The revised DfE Financial Transparency Agenda puts further reporting requirements for schools in deficit as part of The School Information (England) Regulations 2020, which take effect from 1 January 2021. This will mean the DfE will look to;
- Collect information on the amount of recovery plans from each LA through the DSG return where the schools deficit is in excess of 5%
 - Formalise the approach to working with LA's and include requests for high level action plans from some LA's regarding the deficits.

Full details of the changes are outlined in a separate paper on this agenda.

6. RECOMMENDATIONS

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