

Report to:	SCHOOLS' FORUM
Date:	28 September 2021
Reporting Officer:	Caroline Barlow – Assistant Director, Finance Tim Bowman – Director, Education (Tameside and Stockport)
Subject:	SCHOOL BALANCES
Report Summary:	This report provides: <ul style="list-style-type: none"> • A review of 2020-21 Excess Surplus Balances • Details of the Balance Mechanism Scheme and current balances held in 2021-22
Recommendations:	Schools Forum approve schools with excess surplus balances holding them for capital purposes are moved to a capital reserve. Schools Forum approve clawback of surplus balances subject to any mitigating factors to be taken into consideration as outlined in the report.
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)	As per School Forum policy on clawback of excessive balances, any funds removed from schools would be transferred to the DSG reserve to support the High Needs deficit recovery plan.
Legal Implications: (Authorised by the Borough Solicitor)	There are no immediate legal implications arising from this report save that finance needs to be content that the correct accounting treatment is applied to ensure compliance with the grant conditions.
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  Telephone: 0161 342 3216  e-mail: Christine.mullins@tameside.gov.uk

1. INTRODUCTION

- 1.1 The purpose of this report is provide Schools' Forum with the outcome of a review of the Excess Surplus Balances held by schools at the end of financial year 2020-21 as requested at the June 2021 meeting. And also, to provide an update on the Balance Mechanism Scheme and the Surplus Balances currently held by schools in 2021-22.
- 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. EXCESS SURPLUS BALANCES AT THE END OF FINANCIAL YEAR 2020-21

- 2.1 Following the report presented to Schools Forum in June 2021 on the final position of school Balances for 2020-21 financial year 12 schools were identified as having excess surplus school balances at risk of claw back. Schools Forum requested a further detailed review of any exceptional circumstances before any decision to claw back balances was taken. This review is now complete and its findings presented below.
- 2.2 A total of 12 schools have been identified as carrying an excess surplus balance at the end of 2020-21, these balances are subject to a decision regarding clawback at a rate of 50% of the excess. For all these schools this is the second year of carrying an excess above approved levels.
- 2.3 4 of these schools have closed the financial year with excess balances above the approved surplus balance submitted to the Council in June 2020
- 2.4 The remaining 8 schools did not submit a request to hold a surplus balance at that time as they were under the permitted thresholds for their sector but have closed the financial year with balances over those thresholds.
- 2.5 Following agreement with Schools Funding Group (May 2021) and Schools Forum (June 2021) all schools were given the opportunity to provide details of any exceptional circumstances that they consider should be taken into account before any decision is taken to clawback.
- 2.6 The table below shows the levels of excess balances and the amounts that relate to either:
 - Delays in capital projects
 - Other underspends as a result of the Pandemic

Table 1: Schools with Excess Surplus Balances 2020-21:

Reasons	Schools	Capital Delays	Underspends as result of Pandemic	Total
Capital Delays	6	£406,078		£406,078
Underspends as a result of Pandemic	6		£46,423	£46,423
(1) Total Excess Balances	12	£406,078	£46,423	£452,501
Less Covid Catch Up Premium			-£30,104	
(2) Remaining Excess Balance	2	£406,078	£16,319	£452,501

Note: 2 schools have actually a combination of both capital delays and general underspends as a result of the Pandemic.

- 2.7 In line with the Balance Mechanism Scheme, the 8 schools (6 capital only and 2 with a combination of capital and general underspends) that have identified their excess surplus is related to delays in capital projects are detailed in section 3 below. The scheme outlines that balances for a particular delayed scheme could be held for 2 years.
- 2.8 There are 6 schools with balances of £46,243 at risk of clawback. These schools have identified the excess surpluses held relate to exceptional circumstances as a result of the pandemic and lockdowns and have provided details of areas on their budget plans that underspent. The reasons and examples given include the following, a more detailed analysis of the values involved is included in section 4:
- Underspends on catering contracts
 - Residential trips
 - Interventions
 - Reduced extra-curricular activities
 - Unspent teaching material's

3. CAPITAL RESERVE

- 3.1 The following extract forms part of the Balance Mechanism Scheme:

As agreed with Schools Funding Group and Schools Forum a Capital Reserve will be set up by the LA to allow schools to transfer balances being used to support specific capital projects prior to their completion. This will support schools facing delays in projects starting that cross financial years.

A number of criteria will apply:

- *The account will attract interest repayable to the school*
- *The transfer of any balances will be subject to agreement with the LA on the specific capital project*
- *If the scheme does not progress or is underspent the balance is not returned to the school but is instead treated as a surplus balance and subject to clawback (note: the 2 year or 50% criteria in section 7 will not apply)*

- 3.2 As detailed above, there are 8 schools holding balances for capital purposes. It is recommend that schools forum requests the balances in these schools are moved as per their planned capital balances to a Capital Reserve, rather than be removed for clawback. Table 2 gives further breakdown of the amounts that it is recommended is transferred.

Table 2: Schools with Excess Balances Relating to Capital Projects

Capital Reserve Transfers	Excess Amount 2020-21	Capital Project Transfer	Capital Project	Financial year Transferred	Held Until
School 1	£22,000	£22,000	Building	2021-22	2023-24
School 2	£18,719	£18,719	Building	2021-22	2023-24
School 3	£120,764	£274,000	Building	2021-22	2023-24
School 4	£38,000	£38,000	Building	2021-22	2023-24
School 5	£37,634	£256,000	Building	2021-22	2023-24
School 6	£13,402	£13,402	Building	2021-22	2023-24
School 7	£109,872	£109,872	ICT	2021-22	2023-24
School 8	£45,987	£45,987	ICT	2021-22	2023-24
Total	£406,378	£777,980			

4. GENERAL UNDERSPEND AS A RESULT OF THE PANDEMIC

4.1 Table 3 shows the level of school balances relating to general underspends broken down by school:

Table 3: General Underspend as a Result of the Pandemic

Underspends Due to Pandemic	Excess Amount
School 1	£12,065
School 4	£7,305
School 9	£3,156
School 10	£13,503
School 11	£5,248
School 12	£5,146
Total	£46,423

4.2 All schools have received in-year additional funding from government which may have impacted upon them having unanticipated increased balances, such as Covid Catch up premium. For most schools this grant has been received in advance of need, it is recommended this is removed from the balances prior to any clawback decision as the catch up grant was not announced until mid-financial year so schools may still have been planning how this grant would be spent at the end of the financial year.

4.3 Removing the Covid catch-up grant would remove £30,104 of balances and 4 schools from being 'at risk of clawback'.

4.4 This would leave 2 schools still at risk of clawback at the levels below:

Table 4: Schools At Risk of Claw Back (after Covid Catch Up Removed)

At Risk of Claw back	Amount
School 1	£11,685
School 10	£4,634
Total	£16,319

4.5 There have been further developments with regards to term time only back pay for staff under the NJC terms and conditions in Tameside and a report is currently going through the

Council's governance process, which will result in all affected schools needing to incur additional on-going salary costs, and incur some back-pay. For the two schools above the cost is estimated to be as outlined in table 5:

Table 5: Estimated Cost of Term Time only Back pay

At Risk of Claw back	Surplus Amount	Term Time only Est	Residual Surplus.
School 1	£11,685	£30,683	£0
School 10	£4,634	£21,094	£0
Total	£16,319	£51,777	£0

Schools' Forum may or may not want to take this into consideration when considering the clawback mechanism.

5. SURPLUS BALANCES CURRENTLY HELD BY SCHOOLS IN FINANCIAL YEAR 2021-22

- 5.1 Following submission of the approved budget plans in May 2021, 12 schools (7 primary, 3 secondary schools and 2 special schools) submitted plans with surplus balances above the sector thresholds for the financial year 2021-22.
- 5.2 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.
- 5.3 Schools Finance Team will continue to monitor schools balances
- 5.4 A further update will be brought to Forum once school balances for 2021-22 are finalised. Forum Members will be asked to review any action in line with the Balance Mechanism Scheme regarding invoking the claw back on 2021-22. Schools' Forum will be asked to consider any exceptional circumstance that should be taken into account

6. CONCLUSIONS

- 6.1 Schools' Forum are asked to make decisions in relation to schools balances and the use of clawback mechanism for the schools that are the subject of this report namely to .;
 - Approve the movement of capital balances as detailed in Table 2 to a Capital Reserve to be held in a reserve as described in section 3.
 - Review the exceptional circumstances presented by schools and agree if any of these should be taken into consideration when making clawback decisions of Schools Balances for 2020-21, including if consideration should be made for Covid Catch Up Premium or term time only back pay
 - Schools' Forum take a decision to claw back balances should members are asked to consider whether the Covid Catch Up Premium should be taken into account
 - Schools' Forum to decide if term time only back pay should be considered before clawback of balances.
 - Schools' Forum to decide if clawback of balances should be invoked for school x and school x

7. RECOMMENDATIONS

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