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| Report to: | SCHOOLS' FORUM |
| Date: | 21 June 2022 |
| Reporting Officer: | Caroline Barlow – Assistant Director, Finance Tim Bowman – Director of Education (Tameside and Stockport) |
| Subject: | SCHOOL BALANCES 2021-22 |
| Report Summary: | This report provides an update on the surplus balances held by schools at the end of 2021-22 financial year. |
| Recommendations: | School's 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 2021-22 • Take into consideration views shared from School Funding Group • Consider whether the claw back mechanism should be applied to 2021-22 surplus balances (ahead of any formal decision in September 22) and approve clawback from schools except for balances held for capital purposes which should be moved to a capital reserve or where there are exceptional circumstances which will be considered on a case by case basis |
| 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 save that consideration always need to had in relation to ensuring good value for money of the use of any balances together with ensuring that the correct accounting procedures are applied. |
| 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 provide a preliminary update to Schools Forum ahead of the planned agenda item on surplus balances at the September 2022 meeting, and to confirm the approach that should be taken.

2. FINAL POSITION 2021-22

- 2.1 Table 1 summarises school balances by sector for the financial year 2021-22 and shows the movement from 2020-21 balances:

Table 1: Final Position School Balances 2021-22

| Sector | 2020-21 | 2021-22 | Movement | % Change |
|---------------|-------------------|-------------------|------------------|------------|
| Primary | £6,256,163 | £5,016,309 | (£1,239,854) | -20% |
| Secondary | £1,713,736 | £2,913,368 | £1,199,632 | 70% |
| Special | £1,384,386 | £1,364,225 | (£20,161) | -1% |
| Totals | £9,354,285 | £9,293,902 | (£60,383) | -1% |

- 2.2 The table shows overall balances have reduced by £0.060m or 1% compared to 2020-21 and in particular:
- Primary balances have reduced £1.240m or 20% and this is partly due to the term time only back pay primary schools had to absorb in 2021-22
 - Secondary balances have increased by £1.200m or 70%.
 - Special school balances have reduced by £0.020m or 1% and again in part is attributable to the impact of term time only back pay.

3. BALANCE CONTROL MECHANISM & EXCESS SURPLUS BALANCES

- 3.1 A review of the year-end surplus balances has identified 17 schools with excess surplus balances at the end of 2021-22 that have either:
- exceeded the approved surplus balance submitted to the Local Authority in June 2021, or
 - school didn't submit a return to hold balances above the sector threshold but their year-end actual balances is above the threshold

Table 2: No of Schools with Excess Surplus Balances

| No of Schools with Excess Balance | No of years Hold Excess Surplus | Total Excess Surplus Balance | At Risk of claw Back at 50% |
|-----------------------------------|---------------------------------|------------------------------|-----------------------------|
| 7 | Year 1 | £653,239 | £0 |
| 10 | Year 2 | £696,653 | £348,327 |
| 17 | | £1,349,892 | £348,327 |

- 3.2 In addition to the above, 2 further schools chose to earmark part of their 2021-22 balances in a capital reserve, see table 3 below. In line with Balance Mechanism Scheme, these balances can be held for up to 3 years.

| No of Schools with Earmarked Capital Reserves | Year Invested in Capital Reserve | Total Earmarked Reserve |
|---|----------------------------------|-------------------------|
| 2 | 2021-22 | £390,000 |

- 3.3 Schools' Forum agreed to treat all schools with excess surplus balances in 2020-21 as an 'exceptional circumstance' due to the pandemic and a decision was taken not to claw back any balances from last year. Therefore, any schools that were at risk of claw back last year will be classified as holding a second year consecutive balance this year in 2021-22
- 3.4 All schools with excess surplus balances have received notification of their excess balance and are aware schools forum will be reviewing the balances at this meeting ahead of any formal decision to claw back balances in September 2022.
- 3.5 School Funding Group met on the 18 May 2022, the issue of clawback was discussed and the following points were raised:
- The group acknowledged that whilst there are a number of pressures affecting schools budgets currently, the scheme has been in operation several years now and if the mechanism is not implemented in terms of claw back, there is little point in operating the scheme.
 - Discussions did also acknowledge that the scheme only affects maintained schools and raised the issue of fairness in applying a scheme that can only invoke balances from this sector.
 - However, the group did support a recommendation to invoke the clawback mechanism and any funding removed should be used to support the high needs deficit.

4. CONCLUSION

- 4.1 Schools' Forum are asked to consider:
- a) Recommendations from Schools Funding Group
 - b) Whether claw back should go ahead as planned and the £0.348m at risk be removed from schools to support the High Needs Deficit as previously agreed.
 - c) Whether any exceptional circumstances should be taken into account from individual schools?

5. RECOMMENDATIONS

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