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**Manchester City Council  
Report for Resolution**

**Report to:** Schools Forum

**Subject:** Analysis of Excessive School Balances 2020/21 & Clawback

**Report of:** Directorate Finance Lead – Children’s and Schools

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**Summary**

All maintained schools deemed to have an excessive balance as reported at year end must complete an analysis of reserves, to account for the control and use of the excessive balances. In 2020/21, Manchester schools’ excessive balances have increased by £2.00m when comparing 2019/20 balances.

The Scheme for Financing schools includes a clawback mechanism (section 4), where schools who have held an excessive surplus balance above the allowable threshold for more than four years will be subject to a clawback, with a right to appeal. In 2020/21 it was decided not to action the excessive clawback mechanism due to the unknown impact of COVID on schools. The clawback rate for 2021/22 was agreed at 50% by Schools Forum 22<sup>nd</sup> March 2021. This report seeks School Forum’s decision on the use of the funds from the clawback mechanism.

**Recommendations**

**All** School Forum members are asked to note and comment on:

- The level of maintained school balances 2021/22
- The excessive clawback 2021/22 for maintained schools

**All maintained** Schools Forum members are asked to comment and vote on the proposed use of the excessive clawback:

- Any excessive clawback to be offset against the Dedicated Schools Grant (DSG) cumulative deficit balance £2.26m carried forward into 2021/22

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

**Supporting Reports:**

22 March 2021	Excessive School Balance Clawback 2021/22
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## 1. INTRODUCTION

- 1.1 Annually an analysis of reserves review is completed for each maintained school that has an excessive revenue balance, identifying the planned use of the excessive reserves. Schools' balances are deemed excessive if the surplus is higher than the allowable balance, whereby the allowable balance is deemed to be 8% of the budget share for nursery, primary and special schools, and 5% of the budget share for secondary schools.
- 1.2 Within the Scheme for Financing schools where a maintained school has held an excessive surplus balance above the allowable threshold for more than four years will be subject to the clawback mechanism, with the right to an appeal. It is proposed that these funds are set against the DSG cumulative deficit.

## 2. EXCESSIVE SURPLUS BALANCES

- 2.1 Table one outlines the excessive balances for 2020/21 by phase on all schools above the allowable balance, a total of £5.04m which is an increase of £2.00m compared to 2019/20 excess balances. The table shows that the number of schools with excessive balances has increased by 51% (22 schools) compared to the last financial year.

Table one: Schools' Excess Balances

Sector	2020/21		2019/20		Movement	
	No.	£000's	No.	£000's	No.	£000's
Nursery	0	0	0	0	0	0
Primary	59	4,034	40	2,887	19	1,147
Secondary	1	187	0	0	1	187
Special	5	823	3	157	2	666
<b>Total</b>	<b>65</b>	<b>5,044</b>	<b>43</b>	<b>3,044</b>	<b>22</b>	<b>2,000</b>

- 2.2 Schools via analysis of reserves have provided commitments for their 2020/21 excess balances, as shown in table two below. The majority of the commitments (£2.20m) are allocated to offset future year budget reductions resulting from falling rolls. This is primarily across 25 primary schools, 1 secondary school, and 2 special schools: Hospital school and Bridgelea Pupil Referral Unit (PRU). Other commitments are for planned works (£1.67m primarily for buildings, grounds improvements and extensions); for planned asset purchases (£0.56m); and to carry forward unspent grants (£0.86m).

Table two: Analysis of Reserves - Committed Spend

2020/21	Excess Balance	Balances held on behalf of other schools	External Balances e.g. Banker School	Planned Work not yet begun or completed	Planned Asset Purchase	To off-set future year budget reductions (falling rolls)	Contingency for backdated payments	Unspent Grants	Total Committed
	£000's	£000's							
Nursery	0	0	0	0	0	0	0	0	0
Primary	4,034	0	16	1,403	511	1,729	0	593	4,253
Secondary	823	0	0	0	54	163	0	0	217
Special	187	46	0	265	20	308	55	263	958
<b>Total</b>	<b>5,044</b>	<b>46</b>	<b>16</b>	<b>1,668</b>	<b>585</b>	<b>2,200</b>	<b>55</b>	<b>856</b>	<b>5,427</b>

- 2.3 Collectively, schools have committed spend of £5.43m, above and beyond their excessive balances of £5.04m, with some outlining plans for parts of their allowable surplus balances.
- 2.4 Appendix one provides a list of 13 schools where the excessive balances are above £100k.
- 2.5 Appendix two provides a full list of the 65 schools with excessive balances at end of 2020/21, detailing their total year-end balance and excess balances for 2020/21. The final column illustrates the school year-end balance 2020/21 as a proportion of their current year's budget share.

### 3. EXCESSIVE SURPLUS BALANCES CLAWBACK

- 3.1 Pursuant to section 4.2 of the Scheme for Financing Schools, maintained schools are subject to a clawback of any excessive surplus balances held by the school for a period of more than four years. Schools have the right to challenge this clawback via appeal to a panel, made up of school forum members. Example of how the excessive clawback mechanism works is illustrated in Appendix three. In March 2021, Schools Forum agreed the rate of the 2021/22 automatic clawback at 50%.
- 3.2 In 2020/21, 18 schools have been identified as subject to the automatic excessive balances clawback, with collective excessive balances over the allowable threshold totalling £1.48m. £0.60m of these balances have been held for more than four years, which will be clawed back at the rate of 50%, totalling £304k. Appendix four outlines the excessive balances held by these 18 schools over the past five years, with the two columns on the right hand-side showing the excess balances held for more than four years as well as the clawback amount.
- 3.3 The 18 schools subject to clawback were notified via email in May 2021. Formal letters are scheduled to be issued to schools in June 2021, outlining details of the clawback and the appeals process. The clawback will be actioned where possible via schools' budget shares in July 2021.
- 3.4 This report seeks approval from the maintained Schools Forum members that the

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funds recovered by the excessive clawback 2021/22 is used to support the DSG recovery plan. The LA propose to use the £304k clawback to against the £2.26m DSG cumulative deficit balance carried forward into 2021/22.

#### **4. CONCLUSIONS AND RECOMMENDATIONS**

4.1 **All** School Forum members are asked to note and comment on:

- The level of maintained school balances 2021/22
- The excessive clawback 2021/22 for maintained schools

4.2 **All maintained** Schools Forum members are asked to comment and vote on the proposed use of the excessive clawback:

- Any excessive clawback to be offset against the Dedicated Schools Grant (DSG) cumulative deficit balance £2.26m carried forward into 2021/22

**Appendix One: 2020/21 Excess Balances over £100k (13 schools)**

DfE Number	School Sector	School	NOR October 2020	Excess Balance 2020/21 £000s	Excess Balance 2019/20 £000s	Variance Year on Year
2341	Foundation	Benchill Primary	472	261,817	171,787	90,029.37
2324	CY	Medlock Primary	382	224,594	149,183	75,410.26
2326	Foundation	Baguley Hall Primary	454	216,103	5,664	210,438.67
2302	CY	Pike Fold Primary	415	214,548	290,757	-76,209.24
2234	CY	Ravensbury Primary	411	183,802	14,792	169,010.09
3022	VC	St Margaret's Primary	578	169,037	0	169,037.25
3473	VA	St Bernard's Primary	243	166,354	0	166,354.50
2075	CY	Crosslee Primary	397	162,507	0	162,506.91
2058	CY	Chapel Street Primary	620	159,307	0	159,307.41
2278	CY	Varna Street Primary	416	150,053	69,616	80,437.39
2305	CY	Manley Park Primary	398	149,534	105,517	44,016.46
2057	CY	Cavendish Primary	619	102,869	0	102,868.76
3325	VA	St Philip's Primary	180	100,366	0	100,366.19

**Appendix Two: List of All Schools with Excess Balances in 2020/21 (65 Schools)**

DFE NO	Type	School	YEAR END BALANCES (Revenue & Capital)	EXCESS BALANCES	BUDGET SHARE INCOME (Early Years, Schools Block, & High Needs)	YEAR END BALANCE as % of BUDGET SHARE
			2020-21 £	2020-21 £	2021-22 £	%
<b>Primary</b>						
2321	CY	All Saints Primary(Gorton)	180,550	78,481	1,275,863	14.2%
3043	VC	Armitage CofE Primary	242,011	49,710	2,403,764	10.1%
2010	CY	Ashbury Meadow Primary	263,034	57,478	2,569,446	10.2%
2326	Foundation	Baguley Hall Primary	420,078	216,103	2,549,685	16.5%
2341	Foundation	Benchill Primary	473,073	261,817	2,640,712	17.9%
2328	CY	Birchfields Primary	277,605	19,594	3,225,141	8.6%
2340	CY	Button Lane Primary	280,375	89,951	2,380,302	11.8%
2057	CY	Cavendish Primary	355,090	102,869	3,152,762	11.3%
2058	CY	Chapel Street Primary	427,134	159,307	3,347,833	12.8%
3003	VC	Chorlton CofE Primary	171,179	80,359	1,135,243	15.1%
3402	VA	Christ the King RC Primary	187,433	12,310	2,189,027	8.6%
2068	CY	Claremont Primary	309,793	35,621	3,427,143	9.0%
2296	CY	Crab Lane Primary	267,428	98,997	2,105,381	12.7%
2075	CY	Crosslee Primary	343,856	162,507	2,266,868	15.2%
2076	CY	Crowcroft Park Primary	111,397	11,408	1,249,865	8.9%
2327	CY	Crumpsall Lane Primary	174,519	4,594	2,124,060	8.2%
2303	CY	Higher Openshaw Primary	172,399	31,119	1,766,003	9.8%
3408	VA	Holy Name RC Primary	93,238	2,469	1,134,610	8.2%
3005	VC	Holy Trinity CofE Primary	229,497	41,226	2,353,377	9.8%
2305	CY	Manley Park Primary	314,874	149,534	2,066,750	15.2%
2161	CY	Mauldeth Road Primary	215,515	36,322	2,239,916	9.6%
2324	CY	Medlock Primary	398,728	224,594	2,176,677	18.3%
2186	CY	Northenden Primary	88,238	2,114	1,076,550	8.2%
2330	CY	Oswald Road Primary	250,868	23,460	2,842,609	8.8%
3475	VA	Our Lady's RC Primary	171,495	94,336	964,493	17.8%
3506	CY	Park View Primary	249,028	80,373	2,108,190	11.8%
2300	CY	Peel Hall Primary	116,132	6,336	1,372,449	8.5%
2302	CY	Pike Fold Primary	402,014	214,548	2,343,329	17.2%
2216	CY	Plymouth Grove Primary	188,339	11,116	2,215,294	8.5%
2234	CY	Ravensbury Primary	373,362	183,802	2,369,505	15.8%
3464	VA	Sacred Heart Catholic Baguley	148,161	57,459	1,133,768	13.1%
3505	VA	Sacred Heart RC Gorton	187,295	58,667	1,607,856	11.6%
2301	CY	Sandilands Primary	180,022	18,462	2,019,493	8.9%
3491	VA	Saviour CofE Primary	110,570	14,170	1,216,152	9.1%
3041	VC	St Agnes CofE Primary	204,413	28,032	2,204,760	9.3%
3415	VA	St Aidan's Catholic Primary	106,295	7,558	1,234,214	8.6%
3418	VA	St Ambrose RC Primary	112,323	26,096	1,077,840	10.4%
3422	VA	St Anne's RC Primary Crumpsall	225,846	61,583	2,053,296	11.0%
3473	VA	St Bernard's RC Primary	273,722	166,354	1,342,098	20.4%
3432	VA	St Catherine's RC Primary	232,845	85,910	1,836,685	12.7%
3501	VA	St Clare's RC Primary	279,743	98,129	2,270,181	12.3%
3440	VA	St Edmund's RC Primary	180,271	85,532	1,184,234	15.2%
3445	VA	St Francis RC Primary	107,859	10,619	1,215,503	8.9%
3316	VA	St James' CofE Rusholme	102,551	7,774	1,184,712	8.7%
5200	VA	St Kentigern's RC Primary	174,608	25,269	1,866,744	9.4%

DFE NO	Type	School	YEAR END BALANCES (Revenue & Capital)	EXCESS BALANCES	BUDGET SHARE INCOME (Early Years, Schools Block, & High Needs)	YEAR END BALANCE as % of BUDGET SHARE
			2020-21 £	2020-21 £	2021-22 £	%
3452	VA	St Malachy's RC Primary	166,392	71,577	1,185,185	14.0%
3455	VA	St Margaret Mary's RC Primary	175,518	46,686	1,610,402	10.9%
3022	VC	St Margaret's CofE Primary	413,963	169,037	3,061,574	13.5%
3028	VC	St Mary's CofE Moss Side	229,005	42,263	2,334,273	9.8%
3457	VA	St Mary's RC Primary Levenshulme	166,637	24,166	1,780,885	9.4%
3460	VA	St Patrick's RC Primary	104,267	29,081	939,831	11.1%
3039	VC	St Paul's CofE Primary	128,145	4,522	1,545,290	8.3%
3465	VA	St Peter's Catholic Primary	100,259	3,366	1,211,166	8.3%
3325	VA	St Philip's CofE Primary	182,343	100,366	1,024,712	17.8%
3034	VC	St Wilfrid's CofE Newton Heath	101,179	2,477	1,233,777	8.2%
3469	VA	St Wilfrid's RC Primary Hulme	124,981	31,781	1,164,997	10.7%
3472	VA	St Willibrord's RC Primary	153,979	45,511	1,355,844	11.4%
3507	VA	The Divine Mercy RC Primary	196,408	19,376	2,212,898	8.9%
2278	CY	Varna Street Primary	335,443	150,053	2,317,369	14.5%
		<b>Primary Total</b>	<b>12,953,324</b>	<b>4,034,330</b>	<b>111,498,582</b>	
		<b>Secondary</b>				
4768	VA	The Barlow RC High	463,936	186,758	5,543,560	8.4%
		<b>Secondary Total</b>	<b>463,936</b>	<b>186,758</b>	<b>5,543,560</b>	
		<b>Special</b>				
7749	CY	Ashgate Primary	306,135	82,842	2,791,167	11.0%
1102	CY	Bridglea PRU	365,594	175,373	2,377,765	15.4%
7007	CY	Manchester Hospital School	639,328	416,585	2,784,284	23.0%
7042	CY	Meade Hill	89,259	5,069	1,052,373	8.5%
7047	CY	Rodney House	289,883	143,189	1,833,684	15.8%
		<b>Special Total</b>	<b>1,690,199</b>	<b>823,057</b>	<b>10,839,273</b>	
		<b>Total All Above Schools</b>	<b>15,107,460</b>	<b>5,044,146</b>	<b>127,881,414</b>	



### Appendix Three: Illustration of Excessive Clawback mechanism.

Table below gives an illustration of the automatic clawback calculation at school level. All three schools have demonstrated robust plans to spend the excess balance, and all have the same excessive balance of £250k at the end of the current financial year. Each school is subject to a different clawback due to the lowest excessive balance over the five years.

	<b>School A</b>	<b>School B</b>	<b>School C</b>
	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)
Year one: 2020/21	£250,000	£250,000	£250,000
Year two: 2019/20	£8,500	£150,000	£780,000
Year three: 2018/19	£0	£95,000	£785,000
Year four: 2017/18	£0	£10,000	£700,000
Year five: 2016/17	£56,000	£100,000	£650,000
<b>Excess Balance held for 5 years</b>	<b>£0</b>	<b>£10,000</b>	<b>£250,000</b>
<b>Clawback at 50%</b>	<b>£0</b>	<b>£5,000</b>	<b>£125,000</b>
<b>Clawback at 100%</b>	<b>£0</b>	<b>£10,000</b>	<b>£250,000</b>

Where a school has not held an excess balance above the threshold for more than four years, like school A in the table above, and has demonstrated robust plans to spend (Analysis of Reserves) there will be no clawback. But if School A has **not** demonstrated sufficient robust plans to spend the excess balance, the clawback will be applied prior to the lapse of the allowable balance retention period of more than four years. In this example, the school would be subject to clawback of a maximum of £250k.

The appeals panel will continue under both options as this gives schools subject to a clawback an opportunity to present evidence of their extenuating circumstances which have led to individual schools holding excessive balances over five years.

**Appendix Four: 2020/21 Excess Balances for 18 Clawback Schools**

DfE no	Name of School	Excess Balance (£ Above Allowable Balance)					Excess Balance held for more than 4 years	Clawback at 50%
		2020/21	2019/20	2018/19	2017/18	2016/17		
2010	Ashbury Meadow Primary	57,478	516,888	551,075	618,311	394,785	57,478	<b>28,739</b>
2328	Birchfields Primary	19,594	70,189	388,033	428,023	189,403	19,594	<b>9,797</b>
3003	Chorlton CofE Primary	80,359	114,573	91,385	60,664	35,290	35,290	<b>17,645</b>
2076	Crowcroft Park Primary	11,408	92,891	190,404	185,392	154,975	11,408	<b>5,704</b>
2161	Mauldeth Road Primary	36,322	114,065	185,036	421,760	292,997	36,322	<b>18,161</b>
2186	Northenden Primary	2,114	9,413	36,178	53,895	40,213	2,114	<b>1,057</b>
3506	Park View Primary	80,373	28,855	156,819	501,838	416,399	28,855	<b>14,427</b>
2302	Pike Fold Primary	214,548	290,749	692,780	671,040	637,671	214,548	<b>107,274</b>
2234	Ravensbury Primary	183,802	14,807	127,362	60,972	48,807	14,807	<b>7,404</b>
3464	Sacred Heart Catholic Baguley	57,459	5,239	69,816	213,938	191,643	5,239	<b>2,620</b>
3491	Saviour CofE Primary	13,278	27,355	164,225	148,687	108,183	13,278	<b>6,639</b>
3041	St Agnes CofE Primary	28,032	35,077	93,545	124,413	148,057	28,032	<b>14,016</b>
3415	St Aidan's Catholic Primary	7,558	29,153	81,830	267,963	248,094	7,558	<b>3,779</b>
3418	St Ambrose RC Primary	26,096	39,037	152,054	131,026	35,035	26,096	<b>13,048</b>
3455	St Margaret Mary's RC Primary	46,686	23,265	193,586	293,962	241,532	23,265	<b>11,632</b>
3472	St Willibrord's RC Primary	45,511	27,059	9,330	123,392	53,780	9,330	<b>4,665</b>
2278	Varna Street Primary	150,053	69,608	298,926	320,676	208,649	69,608	<b>34,804</b>
7007	Manchester Hospital School	416,585	5,731	604,594	367,421	415,261	5,731	<b>2,866</b>
	<b>Totals</b>	<b>1,477,256</b>	<b>1,513,954</b>	<b>4,086,976</b>	<b>4,993,373</b>	<b>3,860,776</b>	<b>608,552</b>	<b>304,276</b>