

Manchester City Council Report for Resolution

Report to: Schools Forum

Subject: Analysis of Excessive School Balances 2021/22 & Clawback

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

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 2021/22, Manchester schools’ excessive balances have decreased by £1m when comparing 2020/21 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. This report seeks School Forum’s decision on the rate of the automatic clawback mechanism for 2022/23.

Recommendations

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

- The level of maintained school balances 2021/22
- The excessive clawback 2022/23 for maintained schools

All maintained Schools Forum members are asked to comment and vote on the option for the school’s automatic clawback for 2022/23 only:

- Option One: 50% of all excessive surplus balances held for more than four years
 - Option Two: 100% of all excessive surplus balances held for more than four years.
-

Contact Officers:

Name: Anne Summerfield
Position: Directorate Finance Lead Education and Schools
Telephone: 0161 234 1463
E-mail: anne.summerfield@manchester.gov.uk

Name: Nehal Ayub
Position: Principal Finance Manager - Schools
Telephone: 0161 234 1467
E-mail: nehal.ayub@manchester.gov.uk

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:

20 th June 2022	Dedicated Schools Grant (DSG) and School Balances 2021/22 – Outturn Report
----------------------------	--

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 2021/22 by phase on all schools above the allowable balance, a total of £4.04m which is a decrease of £1.00m compared to 2020/21 excess balances. The table shows that the number of schools with excessive balances has decreased by 28% (18 schools) compared to the last financial year.

Table one: Schools' Excess Balances

Sector	2021/22		2020/21		Movement	
	No.	£000's	No.	£000's	No.	£000's
Nursery	0	0	0	0	0	0
Primary	38	2,442	59	4,034	-21	-1,592
Secondary	1	358.785	1	187	0	172
Special	8	1238.23	5	823	3	415
Total	47	4,039	65	5,044	-18	-1,005

- 2.2 Schools via analysis of reserves have provided commitments for their 2021/22 excess balances, as shown in table two below. The majority of the commitments:
- (£1.69m) are for planned works, primarily for building and grounds improvements, ICT and electrical upgrades, and extensions. A
 - Offset future year budget reductions resulting from falling rolls (£1.38m), across 16 primary schools and 3 special schools.
 - Other commitments are for planned asset purchases (£455k);
 - Contingencies for backdated payments (£183k);
 - Carry forward unspent grants (£277k).

Table two: Analysis of Reserves - Committed Spend

2021/22	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	2,442	10	4	1,046	319	1,068	165	144	2,757
Secondary	359	0	0	245	0	0	0	0	245
Special	1,238	0	0	403	126	310	18	133	990
Total	4,039	10	4	1,694	445	1,378	183	277	3,992

- 2.3 Collectively, schools have committed spend of £3.99m of their total £4.04m excessive balances. Whilst several schools have outlined plans for parts of their allowable surplus balances, above and beyond their excess balances, others have not fully committed their excess balances. The LA is following up with the latter group of schools to gain a further understanding of their plans.
- 2.4 Appendix one provides a list of 16 schools where the excessive balances are above £100k for 2021/22 and the movement from the previous financial year.
- 2.5 Appendix two provides a full list of the 47 schools with excessive balances at end of 2021/22, detailing their total year-end balance and excess balances for 2021/22. The final column illustrates the school year-end balances 2021/22 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. The rate of the clawback to be actioned 2022/23 is to be agreed by maintained school forum members, last financial year it was agreed at the rate of 50%.
- 3.2 In 2021/22, ten schools have been identified (9 primary and 1 special) as subject to the automatic excessive balance's clawback, with collective excessive balances over the allowable threshold totalling £0.67m. £193k of these balances have been held for more than four years. Appendix four outlines the excessive balances held by these 10 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 potential clawback amount under a 50% rate of clawback. (In 2021/22, 18 schools were identified for the automatic excessive balances clawback, with a total clawback of £304k, at the rate of 50% as agreed by Schools Forum.)
- 3.3 Out of the ten schools subject to the automatic clawback, at 100% there are five schools where the clawback is below £10k, the other five school's clawback ranges from £15k to £57k. All schools have received additional supplementary funding to support with the rising cost of inflation and the new health and social care levy. The Council included the supplementary funding in the excessive balances' calculation,

by doing so resulted in schools allowable balance increasing.

- 3.4 Five schools where the clawback would be below £10k, clawback being the **lowest** balance in the last five years. If 100% clawback was actioned, three of those schools would still hold balances in excess of the 5% and 8%. Balances ranging from £1k to £153.
- 3.5 Five schools where the clawback would be above £10k, clawback being the **lowest** balance in the last five years. If 100% clawback was actioned, four of those schools would still hold balances in excess of 5% and 8%. Balances ranging from £18k to £133k.
- 3.6 School Forum June 2022, the Council reported that the Dedicated School grant (DSG) cumulative deficit as at 31 March 2022 is £2.70m. This deficit is due to on-going pressures within the high needs block (HNB). The Council are working on a recovery plan to address the structural deficit. Any clawback from schools excessive balances held for more than four years will be used against the DSG deficit.
- 3.7 This report seeks agreement from the maintained Schools Forum members regarding the option for the rate of the clawback for 2022/23, on all excessive surplus balances held for more than four years up to 2021/22:
- Option One: 50%, totalling £96.5k
 - Option Two: 100%, totalling £193k

4. Conclusion 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 2022/23 for maintained schools
- 4.2 **All maintained** Schools Forum members are asked to comment and vote on the option for the school's automatic clawback for 2022/23:
- Option One 50% of all excessive surplus balances held for more than four years
 - Option Two: 100% of all excessive surplus balances held for more than four years.

Appendix One: 2021/22 Excess Balances over £100k (16 schools, highest to lowest)

DfE Number	School	Excess Balance 2021/22 £	Excess Balance 2020/21 £	Variance Year on Year
7056	Southern Cross	359,767	0	359,767
4768	The Barlow High	358,785	186,758	172,027
1102	Bridglea PRU	224,511	175,373	49,138
7047	Rodney House	193,354	143,189	50,165
2341	Benchill Primary	192,794	261,817	-69,022
2010	Ashbury Meadow Primary	190,742	57,478	133,264
2058	Chapel Street Primary	187,946	159,307	28,639
2326	Baguley Hall Primary	175,406	216,103	-40,697
3473	St Bernard's Primary	167,263	166,354	909

7007	Manchester Hospital School	158,907	416,585	-257,678
2324	Medlock Primary	155,425	224,594	-69,169
3500	St Cuthbert's Primary	144,597	0	144,597
7959	The Federation	129,363	0	129,363
7029	Lancastrian	128,253	0	128,253
2161	Mauldeth Road Primary	126,807	36,322	90,485
2305	Manley Park Primary	117,840	149,534	-31,693

Appendix Two: List of All Schools with Excess Balances in 2021/22 (47 Schools)

DFE NO	School	YEAR END BALANCES (Revenue & Capital)	EXCESS BALANCES	BUDGET SHARE INCOME (Early Years, Schools Block, High Needs, & Supplementary Grant)	YEAR END BALANCE as % of BUDGET SHARE
		2021-22 £	2021-22 £	2022-23 £	%
Primary					
3301	All Saints Primary (NH)	127,779	26,913	1,260,828	10.1%
2321	All Saints Primary (Gorton)	111,309	5,345	1,324,545	8.4%
2006	Alma Park Primary	271,244	84,164	2,338,502	11.6%
3043	Armitage Primary	228,743	25,444	2,541,239	9.0%
2010	Ashbury Meadow Primary	398,556	190,742	2,597,672	15.3%
2326	Baguley Hall Primary	394,912	175,406	2,743,825	14.4%
2341	Benchill Primary	414,489	192,794	2,771,186	15.0%
2340	Button Lane Primary	236,767	46,185	2,382,268	9.9%
2058	Chapel Street Primary	467,618	187,946	3,495,896	13.4%
2068	Claremont Primary	314,759	29,400	3,566,993	8.8%
2296	Crab Lane Primary	267,187	89,615	2,219,653	12.0%
2327	Crumpsall Lane Primary	191,746	13,816	2,224,127	8.6%
2129	Heald Place Primary	369,693	90,105	3,494,853	10.6%
3408	Holy Name Primary	101,126	6,780	1,179,317	8.6%
2305	Manley Park Primary	282,895	117,840	2,063,184	13.7%
2161	Mauldeth Road Primary	311,531	126,807	2,309,054	13.5%
2324	Medlock Primary	341,294	155,425	2,323,367	14.7%
2186	Northenden Primary	91,615	3,488	1,101,597	8.3%
3475	Our Lady's Primary	147,732	59,317	1,105,190	13.4%
2302	Pike Fold Primary	214,500	24,730	2,372,123	9.0%
2234	Ravensbury Primary	293,182	93,294	2,498,595	11.7%
2008	Ringway Primary	179,628	4,977	2,183,126	8.2%
3464	Sacred Heart Primary (Baguley)	103,030	4,019	1,237,627	8.3%
3505	Sacred Heart Primary (Gorton)	143,530	6,237	1,716,158	8.4%
3011	St Augustine's Primary	167,842	64,151	1,296,131	12.9%
3473	St Bernard's Primary	281,532	167,263	1,428,359	19.7%
3432	St Catherine's Primary	233,621	77,125	1,956,192	11.9%
3042	St Clement's Primary	120,776	17,572	1,290,047	9.4%
3500	St Cuthbert's Primary	256,348	144,597	1,396,879	18.4%

DFE NO	School	YEAR END BALANCES (Revenue & Capital)	EXCESS BALANCES	BUDGET SHARE INCOME (Early Years, Schools Block, High Needs, & Supplementary Grant)	YEAR END BALANCE as % of BUDGET SHARE
		2021-22	2021-22	2022-23	%
3445	St Francis Primary	112,415	11,741	1,258,415	8.9%
3489	St John's Primary (Chorlton)	198,998	47,927	1,888,385	10.5%
3494	St Joseph's Primary	114,384	12,533	1,273,147	9.0%
5200	St Kentigern's Primary	181,755	19,369	2,029,832	9.0%
3452	St Malachy's Primary	149,410	55,824	1,169,827	12.8%
3457	St Mary's Primary (Levenshulme)	149,300	11,717	1,719,800	8.7%
3039	St Paul's Primary	160,470	31,817	1,608,161	10.0%
3325	St Philip's Primary	110,941	13,924	1,212,711	9.1%
2278	Varna Street Primary	203,509	5,942	2,469,580	8.2%
38	Primary Total	8,446,164	2,442,293	75,048,390	
4768	The Barlow High	653,404	358,785	5,892,380	11.1%
1	Secondary Total	653,404	358,785	5,892,380	
Special					
7029	Lancastrian	394,101	128,253	3,323,095	11.9%
7007	Manchester Hospital School	436,138	158,907	3,465,384	12.6%
7042	Meade Hill	99,644	11,574	1,100,879	9.1%
7047	Rodney House	349,236	193,354	1,948,525	17.9%
7056	Southern Cross	595,579	359,767	2,947,646	20.2%
7959	The Federation	371,293	129,363	3,024,137	12.3%
1102	Bridglea PRU	427,028	224,511	2,531,460	16.9%
1105	Secondary PRU	542,601	32,497	6,376,299	8.5%
8	Specials Total	3,215,620	1,238,226	24,717,424	
47	Total All Above Schools	12,315,188	4,039,304	105,658,193	

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.

	<u>School A</u>	<u>School B</u>	<u>School C</u>
	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)
Year one: 2021/22	£250,000	£250,000	£250,000

Year two: 2020/21	£8,500	£150,000	£780,000
Year three: 2019/20	£0	£95,000	£785,000
Year four: 2018/19	£0	£10,000	£700,000
Year five: 2017/18	£56,000	£100,000	£650,000
Excess Balance held for 5 years	£0	£10,000	£250,000
Clawback at 50%	£0	£5,000	£125,000
Clawback at 100%	£0	£10,000	£250,000

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: 2021/22 Excess Balances for 10 Clawback Schools

DfE no	Name of School	Excess Balance (£ Above Allowable Balance)					Excess Balance held for more than 4 years	Clawback at 50%
		2021/22	2020/21	2019/20	2018/19	2017/18		
							100%	50%
2010	Ashbury Meadow Primary	190,742	57,478	516,888	551,075	618,311	57,478	28,739
3475	Our Lady's RC Primary	59,317	94,336	87,691	65,700	41,764	41,764	20,882
2161	Mauldeth Road Primary	126,807	36,322	114,065	185,036	421,760	36,322	18,161
2302	Pike Fold Primary	24,730	214,548	290,749	692,780	671,040	24,730	12,365
2234	Ravensbury Primary	93,294	183,802	14,807	127,362	60,972	14,807	7,404
2278	Varna Street Primary	5,942	150,053	69,608	298,926	320,676	5,942	2,971
7007	Manchester Hospital School	158,907	416,585	5,731	604,594	367,421	5,731	2,866
3464	Sacred Heart Catholic Primary Baguley	4,019	57,459	5,239	69,816	213,938	4,019	2,010
2186	Northenden Primary	3,488	2,114	9,413	36,178	53,895	2,114	1,057
2321	All Saints Primary (Gorton)	5,345	78,481	42,852	9,772	205	205	103
	Totals	672,592	1,291,179	1,157,044	2,641,237	2,769,982	193,113	96,557