

Manchester City Council Report for Resolution

Report to: Schools Forum

Subject: Analysis of Excessive School Balances 2022/23 & 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 2022/23, Manchester schools’ excessive balances have decreased by £2.070m when comparing to 2021/22 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 five years will be subject to a clawback, with a right to appeal.

Going forward school balances from 31st March 2024, the clawback of excessive balance will be based on excessive balances held for two years. This update was following a full consultation with all maintained schools and approved by Schools Forum November 2022 and January 2023.

This report seeks School Forum’s decision on the rate of the automatic clawback mechanism for balances held as at 31st March 2023.

Recommendations

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

- The level of maintained school excessive balances 2022/23
- The excessive clawback to be actioned for excessive balances, held as at 31st March 2023 for maintained schools

All maintained Schools Forum members are asked to comment and vote on the option and use of the school’s automatic clawback for excessive balances held up to 31st March 2023:

- Option One: 50% of all excessive surplus balances held for five years (£29k).
 - Option Two: 100% of all excessive surplus balances held for five years (£59k).
 - Any funds clawbacked to be used against the high needs block deficit on Dedicated School Grant (DSG)
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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:

16 th January 2023	School Forum Agenda Item 4: Consultation Outcome – Updates to Scheme for Financing Schools (Excessive Balance mechanism)
14 th November 2022	School Forum Agenda Item 5: Review of Excessive Balance Clawback

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 five 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.
- 1.3 Going forward, school balances from 31st March 2024, the clawback of excessive balance will be based on excessive balances held for two years. This update was following a full consultation with all maintained schools and approved by Schools Forum November 2022.

2. Excessive Surplus Balances

- 2.1 Table one outlines the excessive balances for 2022/23 by phase, on all schools above the allowable balance, a total of £1.970m which is a decrease of £2.069m compared to 2021/22 excess balances. The table shows that the number of schools with excessive balances has decreased by 45% (21 schools) compared to the last financial year. The primary sector has seen the biggest reduction since last financial year.

Table one: Schools' Excess Balances

Sector	2022/23		2021/22		Movement	
	No.	£000's	No.	£000's	No.	£000's
Nursery	0	0	0	0	0	0
Primary	19	751	38	2,442	-19	-1,691
Secondary	1	5	1	359	0	-354
Special	6	1,214	8	1,238	-2	-24
Total	26	1,970	47	4,039	-21	-2,069

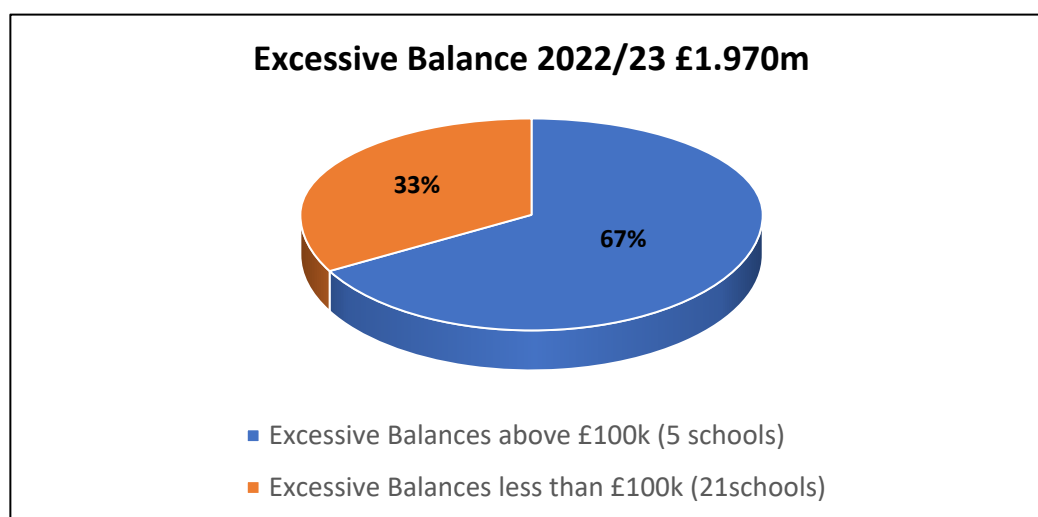
- 2.2 Schools via analysis of reserves have provided commitments for their 2022/23 excess balances, as shown in table two below. Most of the commitments are related to:
- Offsetting future year budget reductions resulting from falling rolls £1.157m, across ten primary schools and one special school.
 - Planned works primarily for building and grounds improvements, ICT, electrical and upgrades. The planned work of £1.161m covers thirteen primary, five special and one high school.
 - Contingencies for backdated payments, £225k for three schools (primary, secondary, and special)
 - Planned asset purchases, £190k for six primary and four special schools.

Table two: Analysis of Reserves - Committed Spend

2022/23	Excess Balance	To off-set future year budget reductions (falling rolls)	Planned Work not yet begun or completed	Contingency for backdated payments	Planned Asset Purchase	External Balances e.g., Banker School	Unspent Grants	Balances held on behalf of other schools	Total Committed
	£000's	£000's							
Nursery	0	0	0	0	0	0	0	0	0
Primary	751	359	617	30	115	25	5	0	1,151
Secondary	5	0	48	180	0	0	0	0	228
Special	1,214	798	496	15	75	0	0	0	1,384
Total	1,970	1,157	1,161	225	190	25	5	0	2,763

2.3 Collectively, schools have committed spend of £2.763m of their total £1.970m excessive balances. Whilst schools have outlined plans for their excessive balances, several schools have outlined committed plans above and beyond their excess balances.

2.4 There are five schools where the excessive balances, totalling £1.318m are above £100k, this equates to 67%, illustrated on the chart below. From 2021/22 this has dropped significantly by 58%, when sixteen schools held excessive balances are above £100k.



2.5 Appendix one provides a full list of the twenty-six schools with excessive balances at end of 2022/23, detailing their total 2022/23 year-end balance and the excess balances. The final column illustrates the school 2022/23 year-end balance as a proportion of their current year's budget share.

3. Excessive Surplus Balances Clawback

3.1 Scheme for Financing Schools section 4.2 maintained schools are subject to a

clawback of any excessive surplus balances held by the school for a period of five years. For school balances from 31st March 2024, the clawback of excessive balances the retention period will be based on two years. This update was following a full consultation with all maintained schools and approved by Schools Forum January 2023. Example of how the excessive clawback mechanism works is illustrated in appendix two. Schools have the right to challenge this clawback via appeal to a panel, made up of school forum members.

- 3.2 In 2023/24, five schools have been identified (4 primary and 1 special) for the automatic excessive balance's clawback, their collective excessive balances over the allowable threshold totals £154k as at 31 March 2023, of which £59k of these balances have been held for five years. Appendix three outlines the excessive balances held by the five schools over the past five years, and the potential clawback. The clawback at 100% rate totals £59k (at 50% £29k). Last financial year ten schools (which included four out of the five school listed in appendix four), were subject to the excessive balances clawback, at the rate of 100% as agreed by Schools Forum.
- 3.3 The range of the excessive clawback if at 100%, would be from £2k to £25k, four of the five schools the clawback would be £15k or below, and £25k for the other school. The Council included the Mainstream Supplementary Additional Grant (MSAG) funding in the excessive balances' calculation, by doing so resulted in a higher school's allowable balance. Also, the late additional devolved formula capital grant was excluded from schools' final outturn figure.
- 3.4 If 100% clawback was actioned three out of the five schools, the clawback would be lower than their current excess balance, so those schools would still hold balances excess of 5% and 8%.
- 3.5 School Forum June 2023, the Council reported that the Dedicated School grant (DSG) cumulative deficit as 31st March 2023 is £1.417m. This deficit is due to on-going pressures within the high needs block (HNB). The Council are actively working on recovery to address the structural deficit, an update on the pressures and the recovery position is included in agenda item 5.
- 3.6 This report seeks agreement from the maintained Schools Forum members regarding the rate of the clawback for schools' excessive surplus balances held for five years as at 31 March 2023, option one: 50% or option two: 100%.

4. Conclusion and Recommendations

- 4.1 **All** School Forum members are asked to note and comment on:
 - The level of maintained schools' excessive balances 2022/23
 - The excessive clawback to be actioned for excessive balances, held up to 31st March 2023 for maintained schools
- 4.2 **All maintained** Schools Forum members are asked to comment and vote on the option and use of the school's automatic clawback for excessive balances held up to 31st March 2023:
 - Option One: 50% of all excessive surplus balances held for five years (£29k).

- Option Two: 100% of all excessive surplus balances held for five years (£59k).
- Any funds clawbacked to be used against the high needs block deficit on Dedicated School Grant (DSG)

Appendix One: Schools with Excess Balances in 2022/23 (twenty-six schools)

DFE NO	School	YEAR END BALANCES (Revenue & Capital)	EXCESS BALANCES	BUDGET SHARE INCOME (Early Years, Schools Block, High Needs, & MSAG Grant)	YEAR END BALANCE as % of BUDGET SHARE
		2022-23 £	2022-23 £	2023-24 £	%
Primary					
3301	All Saints, Newton Heath	121,956	13,108	1,360,595	9%
2006	Alma Park	247,965	22,478	2,578,689	10%
2326	Baguley Hall	278,388	21,667	2,957,882	9%
2058	Chapel Street	382,984	66,693	3,661,259	10%
2303	Higher Openshaw	193,529	23,647	1,917,628	10%
2161	Mauldeth Road	221,606	15,302	2,339,302	9%
2165	Moston Lane	266,738	40,763	2,591,245	10%
2186	Northenden	109,426	1,731	1,163,609	9%
2302	Pike Fold	257,582	37,682	2,513,570	10%
3418	St Ambrose	105,091	8,569	1,206,518	9%
3011	St Augustine's	248,070	124,977	1,359,495	18%
3473	St Bernard's	181,852	78,478	1,292,179	14%
3429	St Brigid's	111,623	3,118	1,356,310	8%
3440	St Edmund's	153,290	45,390	1,348,747	11%
3460	St Patrick's	138,379	49,928	1,105,633	13%
3039	St Paul's	170,013	14,203	1,741,885	10%
3325	St Philip's	205,150	103,087	1,275,784	16%
3034	St Wilfrid's, Newton Heath	151,930	35,649	1,271,242	12%
2278	Varna	271,408	44,699	2,597,721	10%
	Primary Total (19 sch.)	3,816,977	751,171	35,639,292	11%
Secondary					
4770	St Peter's RC High	410,334	4,739	8,111,897	5%
	Secondary Total (1sch.)	410,334	4,739	8,111,897	5%
Special					
7959	Castlefield Campus	384,529	130,405	3,176,540	12%
1105	KS3/4 PRU	1,167,560	678,341	5,740,857	20%
7029	Lancasterian	368,751	21,885	4,044,958	9%
7042	Meade Hill	166,439	55,161	1,159,343	14%
7047	Rodney House	248,332	46,849	2,323,576	11%
7056	Southern Cross	557,068	281,127	3,175,310	18%
	Special Total (6 sch.)	2,892,677	1,213,769	19,620,584	15%

	Total Excessive Balances		7,119,989	1,969,678	63,371,773	11%

Note: Five schools with excessive balances £100k or more are highlighted.

Appendix Two: Illustration of excessive clawback mechanism.

Example below, all three schools have:

- demonstrated robust plans to spend the excess balance.
- the same excessive balance of £250k at the end of the current financial year.

However, each school is subject to a different clawback due to the lowest excessive balance held over five years, see table A. Table B illustrates the clawback over two years, which will be in place next financial year.

Table A: Excessive Clawback over five years (to be actioned this financial year)

	School A	School B	School C
	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)
Year one: 2022/23	£250,000	£250,000	£250,000
Year two: 2021/22	£8,500	£150,000	£780,000
Year three: 2020/21	£0	£95,000	£785,000
Year four: 2019/20	£0	£10,000	£700,000
Year five: 2018/19	£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

Table B: Excessive Clawback over two years (in place next financial year)

	School A	School B	School C
	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)
Year one: 2023/24	£250,000	£250,000	£250,000
Year two: 2022/23	£0	£150,000	£780,000
Excess Balance held for 2 years	£0	£150,000	£250,000
Clawback at 50%	£0	£75,000	£125,000
Clawback at 100%	£0	£150,000	£250,000

Illustrated above, School A is not subject to a clawback and has demonstrated robust plans for the current excessive balance (via Analysis of Reserves). However, if School A has not demonstrated sufficient plans, a clawback will be applied prior to the lapse of the allowable balance retention period. In this example, the school would be subject to a maximum clawback of £250k. Appeals panel will continue under both options to give schools an

opportunity to present evidence of their extenuating circumstances which have led to individual schools holding excessive balances over retention period.

Appendix Three: Clawback - Excess Balances held for five years (five schools)

DfE no	Name of School	Excess Balance (£ Above Allowable Balance)					Excess Balance held for 5 years	Clawback at 50%
		2022/23	2021/22	2020/21	2019/20	2018/19	100%	50%
2161	Mauldeth Road Primary	15,302	126,807	36,322	114,065	185,036	15,302	7,651
2186	Northenden Primary	1,731	3,488	2,114	9,413	36,178	1,731	866
2302	Pike Fold Primary	45,498	24,730	214,548	290,749	692,780	24,730	12,365
2278	Varna Street Primary	44,699	5,942	150,053	69,608	298,926	5,942	2,971
7047	Rodney House	46,849	193,354	143,189	11,521	11,212	11,212	5,606
	Totals	154,081	354,320	546,226	495,356	1,224,131	58,917	29,459